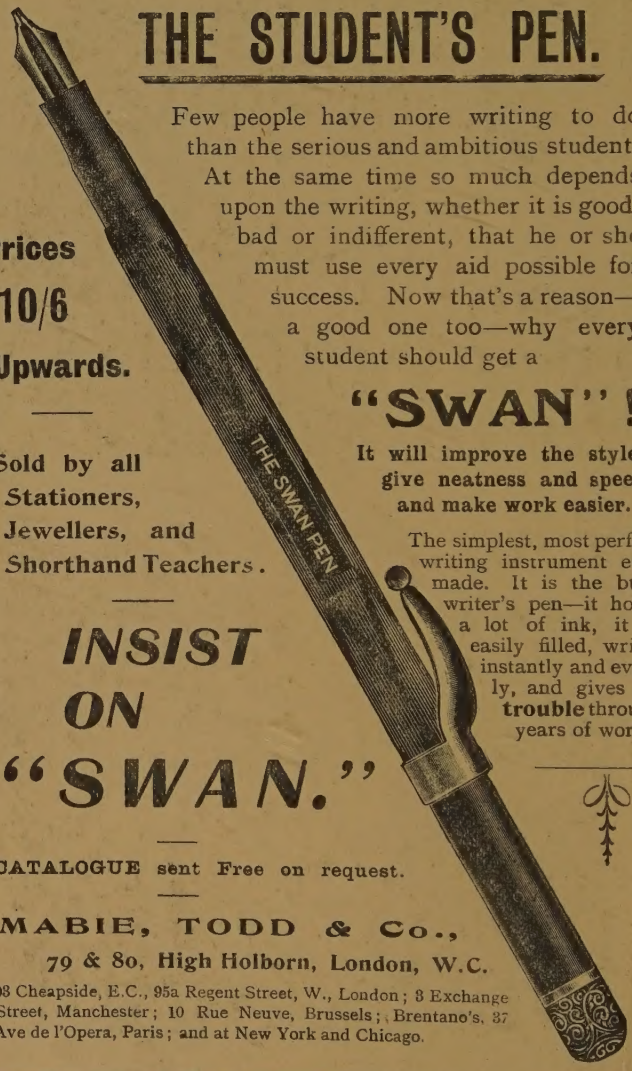
THE STUDENT'S COMPLETE COMMERCIAL BOOK-KEEPING

ARTHUR FIELDHOUSE

THE STUDENT'S PEN.



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TO STUDENTS.

The price of this book does not include the free correction of exercises or postal tuition. As to Keys, see page 4 and advertisements at the end.

A Set of 2 Manuscript Books

for working the exercises contained in "The Student's Commercial Book-keeping," may be obtained from **ARTHUR FIELDHOUSE, *Box D. 50,* HUDDERSFIELD, 1/3 post free;** one book only, **9d. post free.** The author uses and recommends only *two* books for working exercises: Ledger and Journal. The **Ledger** contains eight specimen **lithographed a/cs.,** on the inside of the stiff covers. It is ruled to accommodate **180 a/cs.,** all of which are headed "Dr." and "Cr." The **Journal,** which contains **lithographed specimens** of Journal, Bought Book, three-columned Sales and Cash Books, ruled in red, may also be used for the **Bought, Sales, Cash,** and **Bill Books.** The former part contains two money columns, and the latter part is ruled for three-columned work. Both books consist of **60 numbered pages,** which are **stitched** in preference to being "pinned." These books are most **durable, practical,** and **economical.** Books costing 2d. or 3d. each are not only much inferior in quality, but are so small, paltry, and unbusinesslike that they have to be continually renewed. **Cheapest on the market.**

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"*Courtesy requires that all letters requesting favours or information should contain a stamp for reply.*"

— The — STUDENT'S COMPLETE COMMERCIAL BOOK-KEEPING

ACCOUNTING and BANKING,

COMPRISING THE PRINCIPLES AND PRACTICE OF DOUBLE ENTRY AS APPLIED TO MODERN BUSINESS, AND INCLUDING A COURSE OF TRAINING FOR ALL PUBLIC AND PROFESSIONAL EXAMINATIONS,

BY

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ACCOUNTANT AND AUDITOR,

COMMERCIAL LECTURER AT THE TECHNICAL COLLEGE, HUDDERSFIELD;

FELLOW, COUNCILMAN, AND EXAMINER OF THE NATIONAL SHORTHAND ASSOCIATION; FELLOW AND EXAMINER OF THE SOCIETY OF COMMERCE;

AUTHOR OF

"The Student's Business Methods & Commercial Correspondence";
"The Student's Phonographic Shorthand Exercises";
"The Student's Elementary Commercial Book-keeping";
"Income Tax Simplified."

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PREFACE TO THE FOURTEENTH EDITION.

That the **26,000 copies** of the twelfth edition of this **Standard textbook** should have sold out in twenty months is a striking testimony to its **value** and popularity, particularly having regard to the publication of several new textbooks during that time. The **reason** for this **success** is that **no other work** possesses all the seven following **advantages,** some of which arise from the fact that the author combines the knowledge and experience of **modern business** and accountancy with the requirements of the classroom, where he has taught 3,000 students; in other words, he is, at once, a **business man,** a **practising accountant** and a **teacher.**

1. The principles of the **science** are thoroughly taught, while the practice of the **art** and **current business methods** receive their due share of attention. **Practical work** and **up-to-date** methods are a special feature.

2. Graduation in the arrangement of the text and exercises is maintained throughout, so that the teacher and his class, as well as the self-taught student, find their task considerably lightened. All difficult points are fully **explained** and well **illustrated.**

3. The **Completeness** of this volume of **800 pages,** with its **300 Exercises** and **Examination Papers,** places it beyond competition, and renders altogether unnecessary any **waste** of **money** on the purchase of "supplementary" books of exercises or examination papers. *Pitman's Journal*, in "Answers to Correspondents," says:

If H.S. has worked through all the examples in Fieldhouse's book, he should certainly have as good a knowledge of Book-keeping as is ordinarily necessary.

4. As an **Examination Guide** it is unequalled. **One Hundred** and **Thirty Gold, Silver** and **Bronze Medals,** in addition to numerous valuable **Prizes,** including one **Cash Prize** of **£100,** secured by students of this book, all at recent competitive public examinations, is, indeed, a marvellous record.

5. As a **Twentieth Century work** of **reference** and **office handbook** it is becoming increasingly popular, being in constant use in **hundreds** of **accountants' offices.** *A dozen men in our*

office have made it their companion, says one of many correspondents. A glance at the **Index** is sufficient to convince anyone of the **permanent value** of the book.

6. Its **up-to-dateness** is to be seen in such subjects as **Limited Partnership, Income Tax** and the **Finance Act, 1910, Company A/cs., Published A/cs.,** &c., and is further evidenced by the inclusion of the **Examination Papers,** for **1910,** as well as a full list of the **examining bodies,** commencing on page 234.

7. Cheapness is often associated with inferiority of quality, but here is a combination of **quality** and **quantity** not to be excelled at five times the published price of 4/-. The **list** of **schools** using this book throughout the **British Empire,** and the hundreds of testimonials received would require a substantial book for their reproduction.

A **Full Key** to all the **exercises** and **examination papers** is now ready, in two volumes, particulars being given in the advertisements at the end of the book. **Keys** to separate **Examination Papers** may be had from *Mr. Edwin Wilson, 23 George Street, Halifax*, at 7d. each, as per advertisement at the end of the book. The author supplies copy Trial Balance, Trading A/c., P. & L. A/c. and B/S. of any exercise in this book on *receipt of sevenpence* per exercise. Requests for keys, without remittances, will *not* be answered.

To those correspondents who have made suggestions for the improvement of this textbook the author tenders his hearty thanks; particularly to his friend, Mr. Edwin Wilson, of Halifax. The author also acknowledges his deep indebtedness for suggestions and proof-reading to his assistant, Mr. Leonard Kaye.

ARTHUR FIELDHOUSE,

July, 1910. *P.O. Box D. 50, Huddersfield.*

CORRIGENDA.

Pages 401 and 403.—Income & Expenditure A/cs. Theoretical accuracy, which is not always observed in "Published A/cs.", requires that the sides of these two examples be reversed.

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INTRODUCTION.

A knowledge of Book-keeping is absolutely essential to the satisfactory conduct of any business, however small. A **Merchant's books** may be regarded as his mercantile chart, from the consultation of which he should be able to ascertain, not only his exact position on the turbulent sea of commerce, but also to learn whether the course he is pursuing is likely to take him into the harbour of competence and wealth, or the Official Receiver's refuge.

It is a matter for regret that **penal laws** should be found at all necessary. On the Continent the use of the "Journal" (in which *every entry* must be made before posting to the Ledger, this being known as the **Continental System,**) is made compulsory, under heavy penalties for non-compliance; and in our own country **bankrupts** are liable to punishment for failing to keep a sufficient record of their business transactions. One would have thought that the satisfaction arising from recording their affairs in accordance with correct methods of Book-keeping, would be sufficient inducement to traders to learn to thoroughly understand and practice systematic and intelligent Book-keeping. That this is not so, is evidenced by the fact that, every year, hundreds pass through the Bankruptcy Court, whose books are scarcely intelligible. It is even said that next to extravagance, inefficient book-keeping is the chief cause of insolvency.

The cause of such a state of things is, probably, not far to seek, for while adequate facilities for all kinds of professional training have been provided in this country, **commercial education** has been sadly neglected, and it is only during recent years that attempts, more or less serious, have been made to remedy this state of affairs.

Training is quite as necessary for a **commercial life** as it is for a professional one; and unless the youths of this country become willing to thoroughly equip themselves for the career upon which they enter, they will assuredly have to stand down while others will take their places.

OBSERVATIONS AND SUGGESTIONS FOR TEACHERS.

1. As suggested by the **Syllabus** of the **West Riding County Council** each class should be taught collectively; a portion of each lesson should be devoted to the explanation of principles, transactions and terms, and a portion to the elucidation of difficulties met with in the home work; the class should be questioned as to the correct way of entering up each transaction, and the reasons for this.

2 **In addition** to dealing with the explanatory matter occurring between, and relative to each exercise you should also include in the lesson the explanation of a few of the **mercantile terms,** as well as the filling up of cheques, bills, and other forms specified by the Syllabus.

3 Although the first nineteen exercises on a/cs. are not essential, I find the working thereof of such service to beginners, by reason of the material improvement it effects in the style of their subsequent work, as to warrant their inclusion.

4 The **Syllabuses** of the **Society of Arts,** the **London Chamber of Commerce,** the **N.U.T.,** the **L. & C. Union,** the **Midland Union,** the **W.R.C.C.,** the **College of Preceptors,** and other bodies are covered in the **Elementary Stage** by working exercises 1 to 33, in the **Intermediate Stage** by working up to exercise 65, and in the **Advanced Stage** by working to the end of the book.

5. In order to thoroughly fix the **principle of double entry** in the students' minds, the nine exercises, 19 to 25 should first be journalised, posted, and a trial balance prepared. Then the next exercise, 26, should be worked on the *practical* method only, followed by the re-working of exercises 20 to 25 on the same method. Students will then be able to compare the theoretical with the practical method of recording the same transactions. The six exercises 27 to 32, are specially designed for *practical working* only, after which all the exercises should be worked practically. The **answers** to exercises 20 to 32 are given on page 30.

INSTRUCTIONS TO STUDENTS.

1. You will be required to **provide yourself** with such manuscript books as directed by the teacher.

2. Never fail to **bring** with you **to the class** your textbook, note book, manuscript books, *medium pointed* pens and blotting paper. Broad-pointed pen nibs should never be used.

3. Most of the **exercises** will first need to be worked out on sheets of paper, and after having been corrected, by the teacher, **neatly copied,** into your manuscript exercise books.

4. Never leave an exercise unfinished on account of some error, but search it out, remembering that the first essential of book-keeping is **Accuracy.**

5. Let your **writing** and **figuring** be such as will give a neat appearance to your work. Figures must *not* be joined together. Books kept in a slovenly scrawl, or in flourished writing, are a discredit to the book-keeper and an eyesore to his master. Let **Legibility** and **Neatness** be your motto.

6. When entering an account, place the particulars of the second and each succeeding entry the **same distance** from the left-hand margin as the first entry, so that the *first* letter in each word forms a **perpendicular line** of capital letters; and in the money columns place units under units, tens under tens, &c. To commence one entry further in than another, or to misplace figures, detracts from the orderly appearance of your work.

7. Never insert **noughts** in the money columns when unnecessary to the number, as they are liable to lead to confusion when totalling. A dot or dash is preferable.

8. Let all horizontal lines be thinly **ruled** in **red ink.** Rule *one line* above every total and *two lines* underneath every *final total,* but do not rule any lines after a total which is *carried forward.*

9. Always place the indication of a **£** by the side of each **total,** thus:—**£**626 10 6.

10. Remember that every transaction must have a **date,** both in the subsidiary books and the Ledger.

11. Do not fail to place **Dr.** and **Cr.** at the head of every account.

12. Write the names and **headings** of books and accounts very **boldly,** so as to make them distinct and conspicuous.

13. The **totals** of both sides of an account should always be placed on a **level** with each other, even though there are not the same number of items on both sides.

14. Never insert **balances** or **totals** in ink until you have checked their correctness.

15. Never scratch out an incorrect entry, but rule it through so that the error may still be visible on inspection. Scratching out is liable to create suspicion.

16. Regular attendance is of great importance. An evening student should make a point of being present at every meeting of the class, otherwise he finds himself seriously handicapped, as it is generally impossible for his teacher to depart from the syllabus and repeat a lesson—it would be an injustice to those who attend regularly to do so. The progress of the class as a whole is, and must be considered before that of a few stragglers who often blame their teacher for the result of their own irregularities. **Continuity** of work is essential to progress.

17. Endeavour to be in your class five minutes before the appointed time. The **unpunctuality** of a few frequently wastes the time of many students.

18. If you are desirous of being a credit to yourself and a source of satisfaction to your teacher, do not fail to complete, most carefully, the whole of your **home work.** Without **work,** progress is impossible. Do not wait until the arrival of the next class day before you commence to hurry through your exercises, but commence immediately you reach home on leaving the class. **Do a portion each day.** Do not wait until

you have a complete hour at liberty before you commence your exercises. "Procrastination is the thief of time," therefore utilise the five minutes you have before breakfast, the ten minutes after dinner, the fifteen minutes at tea time, etc., and you will be surprised at the result. In this manner, the busiest youth can devote from thirty to sixty minutes of each day to his studies.

19. If the instructions with reference to the working of the exercises are not complied with, the teacher may not only refuse to correct your work but may require it to be re-written. Pencil work will on no account be permitted, therefore **use ink always.**

20. You must not forget, in the study you are about to commence, that you will **not** be taught to keep the books of any particular trade, as a grocer, a draper, a cloth merchant or an engineer ; but that you will receive instruction in the **principles** of book-keeping and their **general application** to **modern business,** which knowledge may be readily applied to the books of any specific business, which vary only in matters of *detail.*

"*Book-keeping is the very key of your position. The records of the Bankruptcy Court show how many colossal fortunes are wrecked, how many growing prospects are blasted, through ignorance of this vital part of commercial knowledge.*"—(Smiles's Life of George Moore.)

PROPER ACCOUNT BOOKS.

"*The case of H. J. M., who had traded as an upholsterer in ..... Street, London, E.C., came before the Court upon an application by the debtor for his order of discharge.*

His Honour said he noticed that the debtor had kept proper books of account, and that they had been periodically balanced. This was so unusual a record that he should mark his appreciation of the debtor's conduct by granting him an immediate order of discharge, subject only to a judgment for £10."

BOOK-KEEPING.

BOOK-KEEPING is the *science* and *art* of recording in books **pecuniary transactions**, so unremittingly and so accurately, that you are able at any time to ascertain the *exact* state of your financial affairs, or any portion of them, with clearness and expedition, and to prove their accuracy.

2. The practice of scientific book-keeping is no mere experiment, the results of which are doubtful and uncertain. On the contrary, every result you obtain may be relied upon as being absolutely accurate, because you can prove your Books as easily as you can prove a multiplication sum by division. This is very desirable as it affords the information which will enable you to protect yourself against excesses and, generally, keep due control over your business affairs.

3. If all the **facts** relative to your business be properly recorded in your books, you should, at any time be able to obtain ready answers to the following amongst other questions :

1. What amount do I owe to each person ?
2. What amount is owing to me by each customer ?
3. Am I gaining or losing ?
4. What are the sources of my gains and losses ?
5. Am I solvent or insolvent ? If the former, what is the amount of my Capital ? If the latter, what is the amount of my deficiency ?

4. TRANSACTIONS are the acts which you perform in buying, selling, paying, receiving ; in fact every act involving the transfer of money or money's worth, and every **exchange for value**, whether money, goods, or debts, which take place in your affairs. Every financial change which occurs in your business is a transaction, even though no specific act is performed at all ; for instance, if you are informed that one of your debtors

has absconded, leaving no assets behind, such a *fact* must be shown in your books, by closing the a/c. of the defaulting debtor. The exercises contained in this book are sets of transactions which, in the first place, it will be your duty **to enter** up in the various books in proper order, and secondly, to prove the accuracy of your work. There are two ways of recording transactions,—chronological and classified. The former is advantageous for entering, while the latter is convenient for reference.

5. The **WASTE BOOK** (which is rarely used in business houses) simply contains a roughly scribbled record of transactions daily arranged in the **order in which they occur,** without any regard whatever to their nature or import. All the **exercises** given in this work are really cuttings or extracts of entries from the Waste Book. (See exercise 19, page 35.) The chronological or *in-order-of-date* arrangement of the transactions in the Waste Book facilitates the work of the student bookkeeper in entering up his other books.

6. In recording pecuniary transactions two objects must be kept in view :—

1. Each record or entry must be so explicit that at any future time, the exact nature of the transaction may be readily perceived without the aid of the memory.
2. Each transaction should be so classified that at any time the total result of such transactions, during any given period, may be easily ascertained.

It will be clear to you, if you are to comply with these two rules, that transactions of a *similar nature or with the same person* must be gathered and collected together in classes or groups, for which *separate* accounts will require to be opened in the Ledger, such as John Smith's account, Henry Clay's account, Cash account, Goods account, Profit and Loss account, &c.

7. AN ACCOUNT is a register of a *particular class* of pecuniary or money transactions. To register or record a transaction is to make an **entry.**

THE LEDGER.

8. The book which contains this collection of **Accounts** and in which the answers to the questions specified in par. 3 are to be found is called the **Ledger.** It is the most important of all Account Books, in fact it is the only essential book. It contains a condensed and **classified** record of all the pecuniary transactions of the business generally, brought, transferred, or posted from the "*Books of Original Entry.*"

9. It is found convenient and economical in the keeping of accounts to have the pages of the Ledger vertically divided into *two equal parts*; each of which is sub-divided into four sections; the first section being for the date; the second, the particulars; the third, the folio; and the fourth, the amount; as follows:

TWO ACCOUNTS IN MY LEDGER.

Dr. **Alfred Sykes,** 16 Park Row, Leeds. **Cr.**

Date.	Particulars of Transaction.	Fol.	Amount. £	s.	d.	Date.	Particulars of Transaction.	Fol.	Amount. £	s.	d.
1906 Jan. 1	To Cash	3	150	-	-						

Dr. **Asa Clay,** 20 South Lane, Hull. **Cr.**

Date.	Particulars.	Fol.	Amount. £	s.	d.	Date.	Particulars.	Fol.	Amount. £	s.	d.
						1906 Jan. 1	By Cash	3	56	-	-

10. In starting or **opening** an account in the Ledger the first thing to be done is to name or **label** it, as shown in the above examples. Just as a grocer would be careful not to put cayenne into a drawer labelled "Snuff," so you must be careful not to record Sykes's transactions in Clay's account, or *vice versa.*

11. The word **DEBTOR,** used as a noun, means one *who owes value to another* ; as an adjective when referring to the debit or left-hand side of an A/c. A **debit** is a charge ; hence a person must be debited with what he receives. **To debit** is to charge against, to enter or set down a sum on the debit or left-hand side of an A/c. You will notice from the first account that Sykes is **"Dr. To** Cash, £150," which means that he is **Debtor** or **owes to you,** the owner of the Ledger, this amount.

The word **CREDITOR** means one *to whom value is owing*. The credit side (**Cr.**) of an A/c. is the right-hand side. **To credit** is to enter or set down a sum on the Cr. or right-hand side. Clay's account shows him to be **"Cr. By** Cash £56," which means that he is **Creditor** or is **owed by you,** the owner of the Ledger, this amount.

12. The student must bear in mind that each transaction must be considered as having **no connection** whatever with any that precedes or follows ; and must therefore treat each one as *standing alone* ; otherwise the terms **Dr.** and **Cr.** may appear conflicting.

13. LEDGER ACCOUNTS may be divided into **two** great classes: **Personal,** those having to do with persons, such as merchants and customers ; and **Impersonal** : those *not* having to do with persons, such as goods, cash, capital, profit and loss, &c. **Impersonal A/cs.** may be further divided into **Real A/cs.** and **Nominal A/cs.** Therefore, however numerous and varied the a/cs. in your Ledger may be they can all be resolved into **three** classes :—

1. **Personal,** which record transactions with the persons and firms with whom you deal ; that is, with your *debtors* and *creditors*.
2. **Real or Property,** which contain a record of your property, possessions or things, as cash, goods, raw materials, leases, buildings, land, ships, plant and machinery, stores, stocks and shares, cattle, bills of exchange, goodwill, patents, copyright, trade marks, &c.

3. **Nominal or Proprietary,** which record your gains and losses, and which supply the results of your trading, such as Profit and Loss A/c., or the subdivisions thereof as Trade Expenses, Interest, Discount, Wages, Bad Debts, Depreciation, Repairs, &c.

14. You will find it instructive in working the following exercises, to regard yourself as A. Pupil, a merchant, whose books you are engaged in entering up. This will prove particularly helpful in deciding the question of Debtor and Creditor.

In order that you may, at once, become familiar with the method of keeping a/cs. in the *principal book*, the Ledger, I will first of all, place before you a few illustrations and exercises on the three classes of a/cs.—Real, Personal, Nominal. First a Real A/c.—

15. CASH. As the receipt and payment of Cash are two of the commonest transactions I will narrate a few, from which you will arrange a Cash A/c., remembering to **debit** yourself with what comes **In,** viz., *receipts* ; and to **credit** yourself with what goes **Out,** viz. :—*payments.*

Exercise 1.

1906.	May 1.	Cyril Dodd pays me.....	£25
	,, 2.	Dan Cross do.	30
	,, 3.	I pay Sam Tate	30
	,, 4.	Do. John Green	15
	,, 5.	Do. Henry Wild	5
	,, 6.	Ben Thorp pays me	10
	,, 7.	Levi Read do.	18

Dr. **My Cash A/c.** **Cr.**

1906	In. Receipts.	£	s.	d.	1906	Out. Payments.	£	s.	d.
May 1	To C. Dodd	25	-	-	May 3	By S. Tate	30	-	-
2	,, D. Cross	30	-	-	4	,, J. Green	15	-	-
6	,, B. Thorp	10	-	-	5	,, H. Wild	5	-	-
7	,, L. Read	18	-	-					

It is quite clear that you *received* items 1, 2, 6, 7, and therefore **debited** your Cash A/c.; and that items 3, 4, 5, were *payments*, which required to be **credited.**

16. You will notice that the word **TO** is prefixed to each entry on the **Dr.** or *left-hand side*; and that the word **BY** is prefixed to each entry on the **Cr.** or *right-hand side* of the above a/c.

You must *never use the name of an a/c. in that a/c.*: thus in the Cash A/c. you must not enter "To" or "By Cash." The fact that an amount requires entering in the Cash A/c. is proof that it is cash. In every a/c. you must show **TO** whom or what the a/c. is **Dr.,** and **By** whom or what the a/c. is **Cr.**: in other words the *source* of its *receipts* and the *objects* of its *payments.* Therefore the first receipt is read thus: "Cash A/c., Dr. **To** C. Dodd for Cash received from him, £25," and the first payment thus: "Cash A/c., Cr. **By** S. Tate, for cash paid him £30."

17. The sum of your wealth is called your **Capital**; therefore when opening a Cash A/c. with "Cash in hand," you must not enter your name opposite that sum, but must use either the words "*To Capital*," or "*To Balance*," £33.

Arrange two Cash A/cs. from the following:—

Exercise 2.

1906.	May 8.	Cash in hand	£33
	,, 8.	Paid T. Hall	20
	,, 9.	Do. A. Gee	10
	,, 10.	Received of Cook & Co.	70
	,, 11.	Sent to F. Wood	25
	,, 12.	Z. Muir pays me	16
	,, 13.	H. Sykes gives me	25
	,, 14.	Paid into Bank	60

Exercise 3.

1906.	May15.	I have Cash	£29
	,, 16.	I pay A. Hill	13
	,, 17.	Received of A. Clay	36
	,, 18.	Evans & Co. pay me.....	28
	,, 19.	Paid for Wages	10
	,, 20.	Do. Goods	47
	,, 21.	Received for Goods	39
	,, 22.	Deposited in Bank.....	62

18. BALANCING. You will now return to Ex. 1, as worked in your Manuscript book, and add up both sides of the a/c., placing the total of the Cr. side underneath the total of the Dr. side, on a piece of paper. Subtract one total from the other and find the difference as follows :—

Dr. Side..... £83
Cr. „ 50

Difference.... £33

This difference is the *balance*, and the Cr. side being the lesser by that sum, it requires placing on that side, prefaced by the words "*By Balance*," in order to make the two sides equal. Then insert the total £83, at the foot of both sides, and rule off in red ink. This operation of equalising the two sides of an a/c. is known as "balancing." c/d. means *carried down*, and b/d. *brought down*.

The £33 represents the amount you should have in your cash box. The a/c. will now appear thus : —

Dr. **My Cash A/c.** **Cr.**

1906	In. Receipts.		£	s.	d.	1906	Out. Payments.		£	s.	d.
May 1	To C. Dodd		25	-	-	May 3	By S. Tate		30	-	-
„ 2	„ D. Cross		30	-	-	„ 4	„ J. Green		15	-	-
„ 6	„ B. Thorp		10	-	-	„ 5	„ H. Wild		5	-	-
„ 7	„ L. Read		18	-	-		„ *Balance*	c/d	33	-	-
		£	83	-	-			£	83	-	-
	To Balance	b/d	33	-	-						

Balance Exs. 2 and 3. You will find that there is no difference between the two sides of Ex. 3, in which case we say that the a/c. "balances." It therefore only requires the totals inserting at the foot of the a/c.

19. GOODS A/C. Commercial transactions consist largely of the purchase and sale of articles of trade or

merchandise. I will therefore now consider another real a/c. Goods. Its **objects** are—

1. To register the amount of purchases and sales.
2. To display the *gross* profit realised, or the *gross* loss sustained.

The same rule for making entries applies to the Goods A/c. as applies to the Cash A/c.; in fact, it applies to all Real and Personal A/cs. viz.:—What comes **In** or is purchased is **Dr.**, and what goes **Out** or is sold is **Cr.**

The word "Goods" as used here, is a *general* term meaning any kind of merchandise, commodities, or wares. If you were a coal merchant, however, you would use the *specific* name "Coal A/c."

Remembering par. 16, you will proceed to enter up the following transactions of A. Pupil:—

Exercise 4.

1906.	Jan. 1.	Bought goods of A. Lee....	£200
	,, 2.	Sold Goods to T. Day	50
	,, 3.	Sold Goods for Cash	18
	,, 4.	Purchased Goods of F. Lunn	45
	,, 5.	Bought Goods for Cash	23
	,, 6.	Sold Goods to H. Kaye	100

The above would be entered thus:—

Dr. **My Goods A/c.** **Cr.**

1906	In.	£	s.	d	1906	Out.	£	s.	d.
	PURCHASES.					SALES.			
Jan 1	To A. Lee ..	200	-	-	Jan. 2	By T. Day..	50	-	-
,, 4	,, F. Lunn	45	-	-	,, 3	,, Cash	18	-	-
,, 5	,, Cash	23	-	-	,, 6	,, H. Kaye	100	-	-

You will observe that you were the **Receiver** of items 1, 4, 5, which came **in**, or were *purchased* by you, and therefore required *debiting*; and that you were the **Giver** of items 2, 3, 6, which went **Out** or were *sold* by you, and therefore required *crediting*.

20. BALANCING. The first object of a Goods A/c. being attained you must now proceed to ascertain the *gross* profit you have realised on the above transactions. If you deduct the total of the sales from the total of the purchases you will find that the difference is £100. This amount does *not*, however, represent the value of the unsold goods, which you must assess for yourself. To enable you to do this, it will be necessary for you to go into your warehouse or shop, and make a detailed list of the stock of goods you have left, which you find to be worth £120. You will recollect in Ex. 1, that you had in your cash box the sum of £33, which you placed on the Cr. side of your Cash A/c. in order to balance it. You now find in your warehouse a *balance or stock of goods*, value £120, which you will similarly place on the **Cr.** side of your Goods A/c. as follows :—

"*By Balance* (*Stock*) £120."

This amount represents either the *cost price* of the goods on hand or their *current market price*, if that be lower than the cost. You will now total both sides of the a/c. on a slip of paper as follows :—

Total of **Cr.** side.....	£288
,, **Dr.** ,, ...	268
Difference..	£20

Unlike the Cash A/c. you will find that the insertion of the value of the "Goods on hand, £120." does not make the two totals equal each other. Why is this ? Because, while the *difference* between the two sides of a Cash A/c. is simply an excess of receipts over payments, the *difference* between the two sides of a Goods A/c. (after inserting the balance or stock) is **either a gain or a loss.** If you sold your goods for exactly the same price as you gave for them, then the Goods A/c. would balance ; but you generally dispose of them at an increase upon the purchase price, consequently the Cr. side exceeds the Dr. side, the difference being a gross profit. In this case you effected three sales, charging your customers, altogether, £20 more for the goods than

you gave for them, and therefore gained £20, which enter on the Dr. side of your Goods A/c. as follows:—"*To Gross Profit* £20." Then insert the total, £288, at the foot of both sides, when the a/c. will appear thus:—

Dr. **My Goods A/c.** **Cr.**

1906	In.		£	s.	d.	1906	Out.		£	s.	d.
	Opening Stock & Purchases.						Sales & Final Stock.				
Jan. 1	To A. Lee ..		200	-	-	Jan. 2	By T. Day ..		50	-	-
„ 4	„ F. Lunn		45	-	-	„ 3	„ Cash		18	-	-
„ 5	„ Cash		23	-	-	„ 6	„ H. Kaye		100	-	-
	„ *Gross Profit*		20	-	-		„ *Bal.* (*stock*)	c/d	120	-	-
		£	288	-	-			£	288	-	-
	To Balance ..	b/d	120	-	-						

Arrange two Goods A/cs. from the following Exs. "Goods on hand" must be entered "*To Stock*" in accordance with par. 17. In Ex. 6 you will find that a loss was sustained, and that the difference between the two sides will require entering on the same side as the stock—the Cr. side—"*By Gross Loss* £6."

Exercise 5.

1906.	Jan.	7	Goods on hand	£120	-	-
	„	8	Bought Goods for Cash ..	40	-	-
	„	9	Sold Goods to A. Hall	37	6	6
	„	10	Sold Goods for Cash	15	3	6
	„	11	Bought Goods of D. East ..	70	-	-
	„	12	Sold Goods to Kaye & Co.	153	-	-
	„	13	Do. Scott & Co..	28	-	-
			Value of Stock	31	10	-

Exercise 6.

1906.	Jan.	14	Goods on hand.....	£31	10	-
	„	15	Bought Goods of Sims & Co.	53	10	-
	„	16	Sold Goods to J. Knox	30	-	-
	„	17	Bought Goods of Smith Bros.	45	-	-
	„	18	Sold Goods to T. Smith	64	-	-
	„	19	Do. C. Waite ..	9	-	-
	„	20	Do. for Cash ..	5	-	-
			Stock valued at.....	16	-	-

21. PERSONAL A/CS. are the most numerous of the three classes of a/cs. and occupy by far the greater part of your Ledger. Their **object** is to record all your pecuniary transactions with the **persons** or **firms** from whom you purchase ; to whom you sell ; or in any other way have financial dealings ; so that at any time you may readily ascertain whether the person named owes you a balance, or you owe him a balance.

The **account** of the **person receiving** value **from you** must be **debited** with whatever you may have given, whether it be cash, goods, bills or discount ; and on the contrary the **account** of the **person giving** value to **you** must be **credited** with whatever you may have received, whether it be cash, goods, bills or discount. In other words, value **In** is **Dr.**, value **Out** is **Cr.**

Exercise 7.

1906.	April	1.	Sold Goods to Henry Gill ..	£10	-	-
	,,	2.	Do. do. ..	3	5	-
	,,	3.	Received of H. Gill, Cash ..	10	-	-
	,,	4.	Sold Goods to H. Gill ..	8	15	-
	,,	5.	Received Cash of H. Gill ..	3	5	-
	,,	6.	Sold Goods to do. ..	4	-	-
	,,	7.	Received Cash of do. ..	8	15	-

My Ledger a/c. with Gill would appear thus :—

Dr. **Henry Gill,** 12 East Parade, Leeds. **Cr.**

	GILL'S Receipts	£	s.	d.		GILL'S Payments	£	s.	d.
1906					1906				
April 1	To Goods ..	10	-	-	April 3	By Cash	10	-	-
,, 2	,, do. ..	3	5	-	,, 5	,, do.	3	5	-
,, 4	,, do. ..	8	15	-	,, 7	,, do.	8	15	-
,, 6	,, do. ..	4	-	-					

Value came **In** to the a/c. of *Gill*, who was the **Receiver** of items 1, 2, 4, 6, which therefore required **debiting** ; while value went **out** of the a/c. of *Gill*, who was the **Giver** of items 3, 5, 7, which therefore required **crediting.**

22. It is now for you to ascertain whether Gill owes you anything or not, by **balancing** as follows :—

The total of the **Dr.** side is £26
And the total of the **Cr.** side is 22

Leaving a **Dr.** Balance owing by Gill of £4

which requires placing on the **Cr.** side, and the a/c. totalling and ruling off thus :—

Dr. **Henry Gill,** 12 East Parade, Leeds. **Cr.**

1906	GILL'S Receipts.		£	s.	d.	1906	GILL'S Payments		£	s.	d.
April 1	To Goods ..		10	-	-	April 3	By Cash ..		10	-	-
„ 2	„ do. ..		3	5	-	„ 5	„ do. ..		3	5	-
„ 4	„ do. ..		8	15	-	„ 7	„ do. ..		8	15	-
„ 6	„ do. ..		4	-	-		„ *Balance*	c/d	4	-	-
		£	26	-	-			£	26	-	-
	To Balance	b/d	4	-	-						

"*By Balance* £4" represents the amount *owing* by *Gill* to you. It is called a **Debit** *balance*, which is the balance of an a/c. when the debit side exceeds the credit. A personal a/c. may have a balance on either side, or there may be no balance at all. When the *Cr. side exceeds the Dr.*, as in Ex. 8, it is called a **Credit** *balance*, and in this instance *you would be owing Gill* £9.

In Ex. 9 both sides equal each other, therefore the a/c. "balances," and no indebtedness exists.

23. BALANCES CARRIED DOWN. When a merchant balances and rules off his books he always "carries forward" or "brings down" the balances of his *Real* and *Personal* a/cs. to the **opposite side** of each a/c. These balances thereby form the first entries in the new a/cs. See Cash, Goods, and Gill's a/cs. Why should the £4 be carried down to the Dr. side of the latter a/c.? Because Gill is indebted to or owes you £4. If you will refer to Gill's a/c. before it was balanced, you will clearly see that he received from you four lots of Goods, and he only paid for three lots, thereby creating a *debit balance*

of £4. Therefore, in opening the new a/c. with a debit balance of £4, you are only putting that amount in *precisely the same position* it was in before you balanced his a/c. The operation of balancing is one of convenience only, and must never alter the **facts** or the state of an a/c. The **object** of **balancing** is merely to show the amount due on a given date.

When a set of transactions commences with "He owes me," or "I owe him," the words *To* or *By Balance* should be used. Compile my a/cs. with Gill and balance each of them.

Exercise 8.

1906.	April	8.	Henry Gill owes me	£4	-	-
	,,	9.	Sold Goods to him	15	-	-
	,,	10.	Do.	7	-	-
	,,	11.	Bought of Gill, Goods	20	-	-
	,,	12.	Received Cash from Gill ..	6	-	-
	,,	13.	Sold Goods to Gill	31	6	8
	,,	14.	Bought Goods from him....	40	6	8

Exercise 9.

1906.	April	15.	I owe Henry Gill	£9	-	-
	,,	16.	Bought Goods from him....	23	10	-
	,,	17.	Sold him Goods	21	10	-
	,,	18.	Paid Cash to Gill.....	11	-	-
	,,	19.	Sold Goods to Gill	16	10	-
	,,	20.	Do.	15	10	6
	,,	21.	Received Cash from Gill....	32	-	6

24. There now only remains one other class of a/cs. with which to deal, viz.—**PROPRIETARY or NOMINAL A/cs.** These are accounts of neither persons nor things, but chiefly statements of income and expenditure, their object being to supply the **Proprietor** with the **results** of his trading, as well as to show *how* such results are obtained. The principal proprietary a/cs. are Capital, and Profit and Loss; together with the subdivisions of the latter, as Trade Expenses, Wages, Interest, Discount, Commission, Bad Debts, Fuel, Lighting, Rents, Taxes, Repairs, Depreciation, Advertising and Stationery, Travelling Expenses, Office Expenses, Stable Expenses, &c.

25. The **PROFIT & LOSS A/C.** has for its **object** the *collection* and presentation of all your losses and all your gains in one concise view, so as to display the *net profit* realised, or the *net loss* sustained for a given period.

The word **loss** when applied to book-keeping has a far wider application than when generally used; in fact, it expresses the opposite of gain. If a customer failed to pay for goods sold that would be a loss; but this word is also used in reference to the cost and expense of carrying on a business; for instance, wages, coal, rent, taxes, repairs, advertising, all of which are regarded as losses; although *materials* or *services* are, of course, given in exchange for such payments.

SEPARATE A/CS., known as subsidiary a/cs., are frequently kept (to relieve the P. & L. A/c. of unnecessary details) for Trade Expenses, Interest, Discount, Commission, Bad Debts, Wages, Repairs, Lighting, Fuel, Carriage, Advertising, Dividends, &c., but the *balance* of *each* such *subdivision* is always *transferred* to the P. & L. A/c. on balancing the books.

The Rule of Receiver and Giver relating to Real and Personal A/cs. does *not* apply when entering profit and loss transactions. The rule you must observe here is **debit** all **losses,** and **credit** all **gains.**

If you commenced business with £500, and the first month lost £50, you can easily see that some A/c. would require debiting with the loss, therefore you debit *your* P. & L. A/c. On the contrary, if you gained £50 it would be to your credit, and you would accordingly credit your P. & L. A/c.

Arrange your Profit and Loss A/c. from the following:

Exercise 10.

1906.	Jan.	7.	Paid for Wages	£3	10	6
	,,	9.	Do. Gas	-	15	-
	,,	12.	Do. Rent.....	10	-	-
	,,	14.	Do. Wages.....	3	10	6
	,,	15.	Do. Rates	1	1	-
	,,	31.	I have allowed Discounts ..	-	10	-
	,,	31.	Discounts allowed me	5	8	-
	,,	31.	Gross Profit on Goods.....	20	-	-
	,,	31.	Commission earned by me..	6	-	-

The above transactions would be entered thus:—

Dr. **My Profit & Loss A/c.** **Cr.**

1906	LOSSES OF THE BUSINESS.	£	s.	d.	1906	GAINS OF THE BUSINESS.	£	s.	d.
Jan. 7	To Wages ..	3	10	6	Jan. 31	By Discounts	5	8	-
„ 9	„ Gas	-	15	-	„ „	„ Goods A/c.	20	-	-
„ 12	„ Rent	10	-	-	„ „	„ Commission	6	-	-
„ 14	„ Wages ..	3	10	6					
„ 15	„ Rates	1	1	-					
„ 31	„ Discounts	-	10	-					

Your Capital was *diminished* by the first six items, which were **losses,** and with which you have **debited** yourself; while it was *increased* by the last three items, which were **gains,** and with which you have **credited** yourself.

26. BALANCING. Having thus set forth all your losses and gains you must now ascertain whether your business has resulted in a *net* loss or gain. You will add up both sides of the a/c., place the totals on a slip of paper, and find the difference, thus:—

Total of **Cr.** side ..... £31 8 -
„ **Dr.** „ ..... 19 7 -

Difference.. £12 1 -

This difference represents a clear gain or profit to you which must be entered on the **Dr.** side "*To Net Profit to Capital A/c. £12 1s. 0d.*"; after which insert the two equalised totals, when the account will stand thus:—

Dr. **My Profit & Loss A/c.** **Cr.**

1906	**Losses**	£	s.	d.	1906	**Gains**	£	s.	d.
Jan 7	To Wages ..	3	10	6	Jan. 31	By Discounts	5	8	-
„ 9	„ Gas		15	-	„ „	„ Goods A/c.	20	-	-
„ 12	„ Rent	10	-	-	„ „	„ Commission	6	-	-
„ 14	„ Wages ..	3	10	6					
„ 15	„ Rates	1	1	-					
„ 31	„ Discounts	-	10	-					
	„ *Net Profit to Capital A/c.*	12	1	-					
	£	31	8	-		£	31	8	-

The **difference** existing between the two sides of a P. & L. A/c., is always called "To" or "By Capital A/c.," because it *represents either an increase or decrease of your, the Trader's, Capital* or wealth. The above a/c. shows you to be richer, and consequently possessed of more Capital at the close of the month by £12 1s. 0d. than you were at the beginning.

Prepare two P. and L. A/cs. showing *net* gain or loss, from the following :—

Exercise 11.

1906.	Feb. 10.	Paid for Salaries	£6	6	-
	,, 15.	Do. Advertising	5	-	-
	,, 18.	Do. Repairs	8	-	-
	,, 24.	Do. Salaries	6	6	-
	,, 28.	Do. Trade Expenses	15	6	8
	,, 28.	Discounts allowed to me	1	-	-
	,, 28.	Gross Profit on Cloth	35	-	-

Exercise 12.

1906.	Mar. 31.	Paid for Rent.....	£300	-	-
		Do. Taxes	40	-	-
		Do Coal and Gas.....	35	-	-
		Do. Insurance	26	-	-
		Do. Wages.....	1125	-	-
		Discount allowed to customers	137	-	-
		Profit realised on Soap	1020	-	-
		Do. Candles....	1341	-	-
		Commission received by me..	243	-	-
		Discounts allowed to me	93	-	-

27. CAPITAL is the term used in reference to wealth invested or adventured by a person or company in any business or undertaking. It is the excess or **surplus** of what you *have* over what you *owe*.

28. CAPITAL A/c. No Ledger would be complete which did not contain an a/c. with yourself as owner or proprietor of the business. Although the Capital A/c. is properly referred to as an Impersonal a/c. it is really *your personal a/c.* with the business; for whatever you invest in, or advance to, a business, you ultimately expect to receive back, with interest and profit (Par. 39.)

When opening a Capital A/c. you credit yourself with the net amount you invest in the business. On balancing the Ledger you transfer the *difference* of the P. & L. A/c. to the Capital A/c. (Par. 26.) Should

the difference be a *net gain*, your capital would be thereby increased, as you would credit the Capital A/c. with the amount; but if, on the contrary, the difference were a *loss*, your capital would be thereby decreased, and you would debit the Capital A/c. with the amount.

If, while carrying on your business, you withdrew any cash to live upon, or took from your stock any goods, these amounts, not being expenses of or connected with the business, would be called **private or personal expenses,** and as they would diminish your Trading Capital, they would require debiting against your Capital A/c. Arrange and balance your Capital A/c.

Exercise 13.

1906.	Jan.	1	I commenced business with Cash....	£328	19	-
	,,	31	My profit for the month is.....	12	1	-
	,,	,,	I have withdrawn for private expenses	4	-	-

These three items would be entered thus:—

Dr. **My Capital A/c.** **Cr.**

1906	Withdrawals and Net Loss.		£	s.	d.	1906	Capital and Net Profit.		£	s.	d.
Jan. 31	To Cash		4	-	-	Jan. 1	By Cash		328	19	-
	,, *Balance* ..	c/d	337	-	-	,, 31	,, Net Profit from P. & L. A/c. ..		12	1	-
			341	-	-			£	341	-	-
						Feb 1	By Balance ..	b/d	337	-	-

From the foregoing a/c. you will see that your Capital was increased by the Net Profit to £341, and decreased by the withdrawal for private expenses to £337; showing the net increase of your Trading Capital to be £8 1s. 0d.

Prepare and complete your two Capital A/cs.

Exercise 14.

1906.	Feb.	1	I started business with a balance of..	£337	-	-
	,,	28	I lost during the month	30	-	-
			My Private Expenses were	6	-	-

Exercise 15.

1906.	Mar.	1	Cr. Balance	£301	-	-
	,,	31	Net Profit	100	-	-
			Withdrew for self.....	20	-	-

29. **A BALANCE SHEET** (**B/S.**) is a statement at a given date showing the position of a business in relation to its proprietor and other parties. As its name implies, it is used for gathering together all the differences, or "balances" shown in **Real** and **Personal A/cs.,** with the object of finding out whether you are solvent or insolvent; if the former what is the amount of your **net** or **trader's capital,** if the latter what is the amount of your **deficiency.** It is a list of assets (*i.e.* what you have of value, and what is owing to you by your debtors) and liabilities (*i.e.* what you owe to your creditors).

All the balances "carried down" from the Cr. to the Dr. side of the various a/cs. are called **debit balances,** and are your **Assets;** while all the balances "carried down" from the Dr. to the Cr. side of the various a/cs. are called **credit balances,** and are your **Liabilities.**

A Balance Sheet is *not* an a/c., but simply a statement at a given date, showing the **Liabilities** on the **left-hand side,** and the **Assets** on the **right-hand side.** You must *not* head a Balance Sheet with "Dr. and Cr.," *nor* use the words "To" or "By" because these terms would convert the Sheet into an Account. Compile your Balance Sheet from the following:—

Exercise 16.

1906. Jan. 31.	Balance of Cash	£129	- -
	Ditto. Goods	273	- -
	Balance owing by Harry Gill to me	100	- -
	Ditto. Dan Bates do.	37	- -
	Ditto. Fred Oates do.	18	- -
	Balance owing to Mat Long	84	-
	Ditto. Sam Shaw	111	- -
	Ditto. Fred Dean	25	- -

The above may be entered thus:—

Balance Sheet of ALBERT PUPIL, on 31st January, 1906.

Liabilities. (What the Business owes)	£	**Assets.** (What the Business owns)	£
Owing to Mat Long	84	Cash in hand	129
Do. Sam Shaw	111	Goods in stock	273
Do. Fred Dean	25	Harry Gill owes	100
		Dan Bates owes	37
		Fred Bates owes	18

30. BALANCING. Before you can ascertain whether you are solvent (*i.e.*, able to pay 20/- in the £) or insolvent (*i.e.*, unable to pay 20/- in the £) it will be necessary to total both sides and see which is the greater. When the "**Assets**" side *exceeds* the "**Liabilities**" side you are said to be **solvent**; and when the *reverse* is the case you are said to be **insolvent.** The **difference** is the *extent* of your *Capital* or *Deficiency*. In this case the Assets exceed the Liabilities by £337, which shows you to be worth that amount. This difference must be entered on the left side, using the word "*Capital.*" Then insert the totals as follows :—

Balance Sheet of ALBERT PUPIL on 31st January, 1906.

Liabilities. (What the Business owes)	£	**Assets.** (What the Business owns)	£
Mat Long	84	Cash	129
Sam Shaw	111	Goods	273
Fred Dean	25	Harry Gill	100
DIFFERENCE: *Capital of the Proprietor of the Business*	337	Dan Bates	37
		Fred Oates	18
	£557		£557

Had your Liabilities exceeded your Assets by £337, then you would have been insolvent. The difference would have required entering on the other side: "*Deficiency £337.*" If both sides of your Balance Sheet equalled each other, you would still be solvent, because you could discharge your Liabilities in full, but you would have no Capital or estate, no surplus or excess.

From the following construct two Balance Sheets and show the extent of your Capital or otherwise.

Exercise 17.

1906. March 31. I have Cash in hand, £70 6s. 8d.; Coal unsold, £68; Value of Waggons, £80; Value of Horses and Carts, £130; Debts owing to me, £84 13s. 4d.; I owe Leeds Coal Co., £348; I owe Rent. £50; I owe L. & Y. Ry. Co., £27; I owe City Bank, £345.

Exercise 18.

1906. June 30th. I have Cash in Bank, £60, and on hand, £25; Value of my Goods, £320; Frank Gale owes me £93; Chas. Sterne owes me £29; Value of my Shop, £240.

Credit balances as follows:—Mat Carr, £98; Fred Hall, £103; Tom Brown, £400; Chas. Pears, £130; Abe Kerr, £36.

Exercise 18a.

Prepare Capital, Cash, Goods, Personal, and P. & L. A/cs.; also Balance Sheet from the following:—

1906. Dec. 1st. Cash in hand, £100; 3rd, Bought Goods for Cash, £20; 5th, Sold Goods for Cash, £15; 7th, Bought Goods of John Ellis, £80; 10th, Sold Goods to Harry France, £50; 15th, Paid J. Ellis, £50; 18th, Received from H. France, £25; 22nd, Bought Goods for Cash, £10; 26th, Sold Goods to H. France, £45; 28th, Bought Goods of J. Ellis, £35; 30th, Sold Goods for Cash, £25; 31st, Paid Rent, £1; Paid Trade Expenses, £6; Value of Stock, £40.

Answers to Exercises 20 to 32.

No. of Ex.	Gross Profit in Goods A/c.	£	s.	d.	Net Gain, P. & L. A/c. £	s.	d.	Balance of Capital A/cs. £	s.	d.
20	.....	50	14	4	32	10	2	575	10	2
21	.....	92	14	8	69	19	4	645	9	6
22	.....	196	3	8	151	8	8	2151	8	8
23	.....	58	12	-	22	12	6	725	7	6
24	.....	352	15	-	126	5	9	1983	19	9
25	.....	232	15	-	105	19	2	1037	2	11
								1037	2	11
26	.....	104	6	6	26	11	6	1026	11	6
27	Tea	120	-	-	85	11	8	1969	1	8
	Sugar	30	-	-						
	Coffee	46	-	-						
28	Dyewoods..	288	11	8	368	8	4	1479	10	8
	Colours ...	189	8	2				1590	3	7
29	Port	342	3	9	265	15	9	4124	17	-
	Sherry	251	14	4						
30	Tea	113	-	-	175	15	9	2360	15	9
	Coffee	87	17	6						
	Cocoa	36	-	-						
31	Tobacco ..	124	1	2	209	11	8	1868	1	3
	Cigars	144	17	2				1238	14	2
	Cigarettes	69	14	2						
32	Bengal ..	149	9	3	9	7	-	5025	10	2
	Kurpah ..	179	1	4				467	6	9
	Madras ..	79	9	9				517	8	5

CARRIAGE is placed to a separate a/c. in the above exercises, and not included in the Goods a/c.

THEORETICAL BOOK-KEEPING.

31. There is **only one system** of Book-keeping, and that is generally known by the name of **double entry.**

The term *single entry* is, however, so frequently used that it is necessary to caution you against this misnomer. *Single Entry* is the very reverse of a *system*, being the name applied to every faulty, incomplete, inaccurate, unscientific and unsystematic style of account-keeping, in the application of which there is generally a combination of no entry, single entry, and double entry. Strictly speaking, "single entry" merely keeps **personal** accounts, which enable you to ascertain the debit or credit of the firms with whom you trade, and absolutely fails to keep any **impersonal** accounts whatever. The principal objections to this system are its incompleteness in only *partially* recording each transaction, and its inability to prove the correctness of its books. It affords no check on the accuracy of the posting and no safeguard against fraud. Although the profit realised or the loss sustained may be ascertained, by comparing the state of affairs at the commencement of a given period with the state of affairs at the end of that period, it is impossible to discover *how* your capital has been increased or decreased. In recording *some* of the facts "single entry" does much of the work of "double entry," whilst it possesses none of the advantages of "double entry," which records **all the facts,** as well as **their results.** One writer has well said that "single entry" does not deserve a name, and he aptly suggests the respective terms of "Book-keeping" for double entry, and "Imperfect Book-keeping" for single entry.

32. DOUBLE ENTRY is the name of the principle or method, the application of which will enable you, not only to answer all the questions set forth in par. 3, but also prove the correctness of those answers. It is a system which is absolutely perfect in its arrangement and mathematically accurate in its results.

You will remember that a "transaction" consists of an exchange or transfer for value, either in the form of money, goods, or services. The words "**exchange**" and "transfer" at once imply two sides or two parties. It is therefore the first principle in Book-keeping that there must be two parties in performing a transaction—one that **receives**, and one that **gives.** It is impossible for there to be a debtor without a creditor. The **receiver** is called the **Debtor,** and the **giver** the **Creditor.** If every transaction has two sides to it, if it is of a two-fold character, there must, in order to make a *perfect record of the transaction*, be **two entries** in the **Ledger.** If there is a *double effect* in the *transaction* there must be a *double entry* in the *record*, the one to the debit of one a/c. and the other to the credit of another a/c. Thus, if you pay John Lees £20, he becomes your debtor, *so far as that transaction is concerned*, and you become his creditor. Your Ledger would appear as follows :—

Dr. **John Lees** **Cr.**

		£	s	d.
To Cash ..		20	-	-

Dr. **My Cash A/c.** **Cr.**

		£	s.	d.
By J. Lees		20	-	-

33. The advantages of double entry may be briefly stated as follows :—

1. The correctness of all entries can be verified.
2. The value of the purchases and sales with the gross profit realised, or the gross loss sustained, is clearly set forth.
3. The net gain or loss is clearly displayed in one a/c.—the Profit and Loss A/c.

4. The exact state of your affairs is verified by the agreement of two balances quite dissimilar in their composition—the balance of the Capital A/c. and that of the B/S.

The only errors which double entry cannot prevent or discover are *(a)* A mistake or omission in the original entry. *(b)* A double or equalising error in the transfer to the Ledger. *(c)* Posting an amount to the wrong a/c.

34. It would, of course, be possible to enter your transactions direct from the Waste Book into the Ledger, without the intervention of any subsidiary books; but as such a practice, even with great care, would be likely to lead to errors and omissions which it would be difficult to discover, it would not be advantageous or economical to adopt such a course.

In order to avoid such errors and omissions, the **chronological record** is first used, and a subsidiary book is employed in which to prepare and arrange the entries into debits and credits, for the *principal* book, the Ledger. Subsidiary means helping, assisting, aiding. This subsidiary or helping book is called the **JOURNAL** *or daily register*, and may be said to classify the transactions into debits and credits so as to *simplify* their transference into the Ledger. The pages of the Journal are vertically divided into five sections, viz :—

1	2	3	4			5		
Date Column	**Body** of the Journal, where the wording and narration of the entry is written	Led. Fol. Col.	**Dr.** Money Column			**Cr.** Money Column		
			to correspond with the two sides of the Ledger.					
1906	**Example of Journalising**		**Dr.**			**Cr.**		
Jan. 1	Goods A/c..... Dr	8	200	-	-			
	To Albert Lee	9				200	-	
	For Goods purchased ..							

35. A NARRATION is a reason for, or explanation of, an entry. Thus the words "For Goods purchased," at the foot of the entry on the last page, explain and give the reason for the preceding entry. Narrations, however, while rarely used in elementary book-keeping, are frequently employed in journalising important transactions in the accounts of limited companies.

36. JOURNALISING is the act of recording your transactions in the Journal, so as to facilitate their transfer to the Ledger, and is particularly helpful in enabling you to grasp the principle of book-keeping by double entry. Each transaction requires at least *two lines* in the Journal. The transaction "Bought Goods of Albert Lee, £200," is journalised in the example given on the previous page.

You will notice that the **Dr.** money column is placed before, or to the left of, the **Cr.** money column; therefore the name of the a/c. to be debited "Goods A/c." is written on the line above and before the name of the a/c. to be credited "To Albert Lee."

While the **name** of the a/c. to be *debited* is always placed **close** to the left-hand margin line, the **name** of the a/c. to be *credited* must be commenced a **short distance** from the margin line, in order to correspond with the position of the money columns. This arrangement is of great assistance to the eye when transferring the items to the Ledger.

It is unnecessary to place "Cr." after the name of the a/c. to be credited, because if one a/c. is Dr. it follows that the other must be Cr. While *To* must preface each credit item, the word *By* is *never* used in the Journal.

A *thin red line* should be ruled between each transaction (not between each line), across the page, from the *date column* to the *folio column*. This gives a finish to your work, and a distinctive appearance to each transaction. (*See page* 37).

37. RULES FOR JOURNALISING.

1. **All Transactions.** Every **Dr.** must have a **Cr.** in order to comply with the principle of Double Entry, therefore take each transaction *separately* and ask yourself two questions—
   - *a.* What A/cs. are concerned ?
   - *b.* Which of them is Dr. and which is Cr. ?
2. **Real and Personal Accounts.**
   - *a.* Value coming **into** or **Received** by an a/c. is **Dr.**
   - *b.* Value going **Out** of or **Paid** by an a/c. is **Cr.**
3. **Nominal or Proprietary A/cs.**
   - *a.* All **Losses** or Deductions from Capital are **Dr.**
   - *b.* All **Gains** or Profits, or additions to Capital are **Cr.**

Journalise Exercise 19, after which add up both columns of the Journal to see that the totals are alike.

Exercise 19.

WASTE BOOK ENTRIES of A. Pupil.

1907.					
Jan.	1.	Started with Cash (see par. 39)	£520	-	-
,,	2.	Bought Goods for Cash	328	16	6
,,	5.	Sold Goods to Henry Gill	10	-	-
,,	6.	Sold Goods for Cash	48	3	6
,,	9.	Received Cash from Henry Gill	10	-	-
,,	9.	Sold Goods to Henry Gill	3	5	-
,,	13.	Ditto	8	15	-
,,	15.	Ditto Thomas Gee	87	6	8
,,	16.	Received Cash from Henry Gill	3	5	-
,,	19.	Bought Goods from Harry Frost	50	-	-
,,	22.	Sold Goods to Henry Gill	4	-	-
,,	26.	Paid Harry Frost, Cash	25	-	-
,,	28.	Received Cash from Henry Gill	8	15	-
,,	30.	Ditto Thomas Gee	57	6	8
,,	31.	Paid Rent (see par. 25)	10	-	-

Value of Stock....£250 6 4

38. N.B.—Presuming that the *first* page of your manuscript Journal will only contain thirteen of the above transactions, you must draw a red ink line across the money columns and total them both, underneath the red line at the bottom of the first page, as follows :—

" *Carried forward* £1107 6 8 £1107 6 8."

No line should be ruled *underneath* these totals, but double red lines should be ruled under *final totals.*

The top of the *second* page must commence as follows :—

	Dr.	Cr.
1907, *Brought forward*	£1107 6 8	£1107 6 8.

On the next line you will continue with the remaining transactions, thus :—

Jan. 30. Cash.....Dr. £57 6 8
To Thomas Gee ..... £57 6 8.

39. CAPITAL A/C. *Started with Cash,* £520, means that you have commenced business with a capital of £520. It will be quite clear to you that this amount is placed in the Cash A/c. which requires **debiting,** but it may not be quite so clear what a/c. requires crediting. When you, as proprietor of a business, invest therein a sum of money you must credit a Capital A/c. in order to show to whom the capital belongs, otherwise your Ledger would not contain a record of *all* the facts. You must always regard your business as separate and distinct from yourself in your private capacity, and therefore you should open an a/c. called *A. Pupil's Capital A/c.* showing yourself to be a *creditor of the business*, because the **business** *owes* you £520, which is the amount of the **trader's** or **proprietor's capital.** When there are several partners, separate capital a/cs. are necessary in order to show what amount each of them has invested in the concern. (See par. 28.)

Exercise 19 would be journalised as follows : –

1.

ALBERT PUPIL'S **Journal.**

1907			Led. Fol.	Dr. £	s.	d.	Cr. £	s.	d.
Jan.	1	Cash .....Dr.		520	-	-			
		To A. Pupil's Cap. A/c ...					520	-	-
,,	2	Goods .....Dr.		328	16	6			
		To Cash.....					328	16	6
,,	5	Henry Gill .....Dr.		10	-	-			
		To Goods.....					10	-	-
,,	6	Cash .....Dr.		48	3	6			
		To Goods					48	3	6
,,	9	Cash .....Dr.		10	-	-			
		To Henry Gill.....					10	-	-
,,	9	Henry Gill .....Dr.		3	5	-			
		To Goods.....					3	5	-
,,	13	Henry Gill .....Dr.		8	15	-			
		To Goods.....					8	15	-
,,	15	Thomas Gee .....Dr.		87	6	8			
		To Goods.....					87	6	8
,	16	Cash .....Dr.		3	5	-			
		To Henry Gill.....					3	5	-
,,	19	Goods .....Dr.		50	-	-			
		To Harry Frost					50	-	-
,,	22	Henry Gill .....Dr.		4	-	-			
		To Goods.....					4	-	-
,,	26	Harry Frost .....Dr.		25	-	-			
		To Cash					25	-	-
,,	28	Cash .....Dr.		8	15	-			
		To Henry Gill					8	15	-
,,	30	Cash .....Dr.		57	6	8			
		To Thomas Gee.....					57	6	8
,,	31	Profit & Loss A/c. (Rent) ...Dr.		10	-	-			
		To Cash					10	-	-
		Total of Journal.....		£1174	13	4	£1174	13	4

40. POSTING is the act of separately **transferring** each entry from the *Journal* or other *Book of Original*

Entry, to the a/c. that such entry affects in the Ledger. When posting from the *Journal* the amount is always entered in the *same* column in the Ledger.

41. After totalling and ruling off the Journal you will proceed to **post,** or make the **classified record.**

On looking through the Journal you will find that there are seven *different* a/cs. concerned, for each of which you will open an a/c. in the Ledger, writing the **headings** very **boldly.** Always arrange the a/cs. in the Ledger in the following order :—

1. Capital and Impersonal A/cs.
2. Personal A/cs.
3. Profit and Loss A/c. and B/S.

When **posting,** you must not forget the rule, **that the name of an a/c. in which you are posting an entry, must not be written in that a/c.** The first entry being in the **Dr.** column, will be posted to the **Dr.** side of the Cash A/c. in the Ledger thus :—1907, *Jan.* 1. *To Capital*, £520 ; while the second item, being in the **Cr.** column, will be posted to the **Cr.** side of the Capital A/c. thus :—1907. *Jan.* 1. *By Cash*, £520. Each *line* in the Journal indicates the a/c. in the Ledger to which that amount must be posted.

42. FOLIOING. The pages of all books of account are folioed or numbered in numerical order for convenience of reference. No entry must be transferred or posted from one book or page to another, without the reference number or folio being also posted. Therefore as each separate amount is posted into the Ledger, you must always be careful to :—

1. Enter the **Journal Folio** in the narrow column provided for it **in the Ledger.**
2. Enter the **Ledger Folio** in the narrow column provided for it **in the Journal.**

43. TRIAL BALANCE. After you have finished posting and before attempting to ascertain what profit you have realised on your month's transactions it is desirable that you should be certain that the postings have been properly made. Therefore, you will prepare

a **Trial Balance,** the object of which is to test whether the Ledger has been correctly posted.

Write down on a piece of paper the names of the seven a/cs. in the Ledger. Then add up the Dr. and Cr. Columns of each separate a/c. and place the **total postings** opposite the name of such a/c. in the Dr. and Cr. Columns. You will then add up the two columns of postings, when, if the totals are equal, and also correspond with the total of the Journal, your posting is thereby proved to be arithmetically accurate. Enter the T.B. in your Journal. You will readily see that had you omitted, increased, decreased, or misplaced an item it would have caused a disagreement between the totals of the two columns, whereupon you would have searched out and supplied the omission or corrected the error.

TRIAL BALANCE of Exercise 19.

	Led. Fol.	*Dr.* £	s.	d.	*Cr.* £	s.	d.
Capital	1				520	-	-
Cash	1	647	10	2	363	16	6
Goods	1	378	16	6	161	10	2
Henry Gill	2	26	-	-	22	-	-
Thomas Gee	2	87	6	8	57	6	8
Harry Frost	2	25	-	-	50	-	-
Profit & Loss A/c.	3	10	-	-			
Corresponds with Journal	£	1174	13	4	1174	13	4

Having thus far proved the arithmetical accuracy of your work, you will now proceed to the next process of balancing and closing the a/cs. in the Ledger so as to arrive at the answers to the five questions in par. 3, and prove the accuracy of such answers.

44. STOCK-TAKING is the valuing of all goods on hand, together with the plant, machinery, fittings, appliances and other property belonging to, or used in a business, so that they may be taken into a/c. when balancing or closing the books, and enable the owner to discover his exact financial position. (See par. 20.)

45. BALANCING BOOKS is the winding-up and adjusting of all a/cs. in the Ledger, with the object of finding what profits have been realised or what losses have been sustained during a given time. **Balances** are more conspicuous when written in **red ink.**

46. If you were actually engaged in carrying on a business, before you could balance your books, it would be necessary for you to take part in the tedious process of Stock-taking. As a class-room student, however, you are saved this piece of practical work by the *Value of Stock* being stated at the end of each exercise.

If you refer to par. 20 you will find that the first operation in balancing is the **placing** of the **"Value of Stock"** on the **Cr.** side of the **Goods A/c.** in the Ledger thus :—*Jan. 31, By Balance (stock)* £250 6s. 4d.

Add up both sides and place totals on a slip of paper; find the difference as follows :—

Cr. side	£411 16 6
Dr. side	378 16 6
This difference of £33	- -

being a **gain,** requires entering on the **Dr.** side to equalise the A/c. thus :—*Jan. 31. To Gross Profit* £33.

A **loss** would require entering on the **Cr.** side.

Now insert the equalised totals of £411 16s. 6d., as shown in the key on page 42.

47. This **£33** is called your **Gross Profit,** because there have not been deducted from it any trade expenses, or other charges in connection with your business.

You will now **carry this £33** to the **Cr.** or "Gains" side of the **P. & L. A/c.** and enter thus :—

1907. *Jan. 31, By Gross Profit from Goods A/c.* £33.

You will observe that the only item of expense is Rent, while the only source of income is profit on goods. It therefore follows that if the sum of the Cr. side exceeds

the sum of the Dr. side, the *difference* must be the **net profit** or clear gain, because all expenses have been deducted. In this case the net profit or difference requires entering on the **Dr.** side, thus :—

Jan. 31. *To Net Profit to Capital A/c.*, £23.

A net loss, would, of course, be entered on the Cr. side.

Now insert the equalised totals of £33 as on page 43.

48. This **net profit** of **£23,** which is an increase of surplus assets, is due to you as proprietor of the business, and since you are richer by £23 than you were at the beginning of the month. this amount must be **carried to your** credit, that is, the **Cr.** side of the **Capital A/c.** and entered :—*Jan.* 31. *By Net Profit* £23.

Your net Capital is thereby increased to £543, and as there is no item on the Dr. side you will balance by placing the sum on the **Dr.** side and entering :—

1907, *Jan.* 31. *To Balance* £543.

Insert the equalised totals of £543 as shown on page 42.

Now balance the remaining four a/cs. in the usual way by placing the difference or equalising amount in each case on the lighter side of the a/c. prefaced by *Jan.* 31, *To* or *By Balance*, and carry down the balances, after which the A/cs. are said to be "closed."

49. PROOF OF ACCURACY. The **Cr.** balance of the Capital A/c. (£543) represents the *excess* of *Assets* over *Liabilities*. As such Assets and Liabilities are the balances of the Real and Personal A/cs., it must follow therefore, that if the a/cs. are correct, a Balance Sheet comprising the balances of the a/cs., except the capital, will give the same balance as that shown by the Capital A/c. Having **ascertained** by means of your **Capital A/c. what your Capital ought to be,** you will therefore now proceed to **establish** by the construction of a **Balance Sheet what your Capital is,** by following the directions given in pars. 29 and 30.

Compare your Ledger with key on pages 42 and 43.

You will find that your Assets **exceed** your Liabilities by £543, therefore you are solvent to that extent. While your Capital A/c. states that your Capital *ought* to be £543, your Balance Sheet states that it *is* £543. From the **corroboration** or agreement of these two amounts: the **balance** of the **Capital A/c.** and the **Capital** in the **Balance Sheet,** your **books** are **proved** to be **accurate.**

LEDGER for Exercise 19.

Dr. ALBERT PUPIL'S **Capital A/c.** **Cr.**

1907			£	s.	d.	1907			£	s.	d.
Jan. 31	*To Balance*.....	c/d	543	-	-	Jan. 1	By Cash	1	520	-	-
						,, 31	,, *Net Profit*...	3	23	-	-
		£	543	-	-			£	543	-	-
						Feb. 1	By Balance ...	b/d	543	-	-

Dr. **Cash A/c.** **Cr.**

1907	Receipts		£	s.	d.	1907	Payments		£	s.	d.
Jan. 1	To Capital	1	520	-	-	Jan. 2	By Goods	1	328	16	6
,, 6	,, Goods	1	48	3	6	,, 26	,, H. Frost ...	1	25	-	-
,, 9	,, H. Gill	1	10	-	-	,, 31	,, Rent	1	10	-	-
,, 16	,, H. Gill	1	3	5	-	,, ,,	,, *Balance*.....	c/d	283	13	8
,, 28	,, H. Gill	1	8	15	-						
,, 30	,, T. Gee	1	57	6	8						
		£	647	10	2			£	647	10	2
Feb. 1	To Balance ...	b/d	283	13	8						

Dr. **Goods A/c.** **Cr.**

1907	Purchases		£	s.	d.	1907	Sales		£	s.	d.
Jan. 2	To Cash	1	328	16	6	Jan. 5	By H. Gill	1	10	-	-
,, 19	,, H. Frost ...	1	50	-	-	,, 6	,, Cash	1	48	3	6
,, 31	,, *Gross Profit carried to P. & L. A/c...*	3	33	-	-	,, 9	,, H. Gill	1	3	5	-
						,, 13	,, H. Gill	1	8	15	-
						,, 15	,, T. Gee	1	87	6	8
						,, 22	,, H. Gill	1	4	-	-
						,, 31	,, *Bal. (stock)*	c/d	250	6	4
		£	411	16	6			£	411	16	6
Feb. 1	To Balance ...	b/d	250	6	4						

Dr. **Henry Gill,** 50 King Street, Leeds. **Cr.**

1907			£	s.	d.	1907			£	s.	d.
Jan. 5	To Goods	1	10	-	-	Jan. 9	By Cash	1	10	-	-
,, 9	,, Do.	1	3	5	-	,, 16	,, Do.	1	3	5	-
,, 13	,, Do.	1	8	15	-	,, 28	,, Do.	1	8	15	-
,, 22	,, Do.	1	4	-	-	,, 31	,, *Balance*	c/d	4	-	-
		£	26	-	-			£	26	-	-
Feb. 1	To Balance ...	b/d	4	-	-						

Dr. **Thomas Gee,** 8 Pavement, York, **Cr.**

1907			£	s.	d.	1907			£	s.	d.
Jan. 15	To Goods	1	87	6	8	Jan. 30	By Cash	1	57	6	8
						,, 31	,, *Balance*	c/d	30	-	-
		£	87	6	8			£	87	6	8
Feb. 1	To Balance ...	b/d	30	-	-						

Dr. **Harry Frost,** 15 Ouse Street, Goole. **Cr.**

1907			£	s.	d	1907			£	s.	d.
Jan. 26	To Cash	1	25	-	-	Jan. 19	By Goods	1	50	-	-
,, 31	,, *Balance*	c/d	25	-	-						
		£	50	-	-			£	50	-	-
						Feb. 1	By Balance ...	b/d	25	-	-

Dr. **Profit & Loss A/c.** **Cr.**

1907	**Losses.**		£	s.	d.	1907	**Gains.**		£	s.	d.
Jan. 31	To Rent	1	10	-	-	Jan. 31	*By Gross Profit from Goods A/c.*	1	33	-	-
,, ,,	,, *Net Profit to Cap. A/c.*...	1	23	-	-						
		£	33	-	-			£	33	-	-

Balance Sheet of ALBERT PUPIL on 31st January, 1907.

Liabilities.	£	s.	d.	**Assets.**	£	s.	d.
Harry Frost	25	-	-	Cash	283	13	8
Capital	543	-	-	Goods	250	6	4
				Henry Gill	4	-	-
				Thomas Gee	30	-	-
	£ 568	-	-		£ 568	-	-

50. M.O.—A Money Order is an order made by one Post Office to another *specified* office, for payment of *any sum* not exceeding £40 to a particular person; or, if crossed, *to blank*; such sum having been first deposited with the issuing office by the sender or remitter. A small charge called *poundage* is made for the order.

51. P.O.—A Postal Order is an order made by one Post Office to *any* other Post Office (not specified by the official), for the payment of any one of forty-one *fixed sums*, ranging from 6d. to 21s. to any person; the amount having been first deposited with the issuing office by the sender. A small charge called *poundage* is made upon issuing an order.

Both **Orders** must always be treated as **Cash.**

52. TRANSACTIONS involving **new difficulties** are **explained** either in **numbered paragraphs;** or in **notes** at the end of the respective exercises. The *numbers* of such paragraphs are given in *brackets* at the end of the transaction affected, and a note is indicated by :—(*N.B.*)

Exercise 20.

1907. Journalise the following transactions of Albert Pupil :—

Feb. 1.	*Assets*—Cash in hand (see par. 53a)				£283	13 8
	Goods on hand.....				250	6 4
	Henry Gill owes me				4	- -
	Thomas Gee owes me.....				30	- -
	Liabilities—I owe Harry Frost				25	- -
	Capital				543	- -
	Transactions :—					
,, 1.	Bought of Field & Co. (see par. 53b)					
	6 doz. Pickwick Papers @ 8/-.....	£2	8	-		
	4 ,, Vanity Fair @ 8/-.....	1	12	-		
	1 ,, Green's History @ 60/-	3	-	-		
	2 ,, Alton Locke @ 18/-	1	16	-	8	16 -
,, 2.	Sold to Henry Hoole—Kingsley's Life	-	6	-		
	Alton Locke	-	2	-		
	Darkest Africa	-	18	-	1	6 -
,, 3.	Bought Goods for Cash.....				15	17 -
,, 4.	Sold Hy. Gill—Corn Law Rhymes..	-	10	-		
	Whittier	-	5	-		
	A. Lincoln	3	3	-	3	18 -

Feb. 5.	Bought of Cassell & Co.—						
	History of England, 10 vols.	£3	10	-			
	Life of Christ		9	-			
	1 doz. Combe on Education.....		10	-			
	1 doz. ,, Man		10	-	4	19	-
,, 9.	Received M.O. (Cash) from Henry Gill				7	18	-
,, 10.	Paid for Repairs (see pars. 54 & 81)				1	17	6
,, 11.	Sold J. Lee, Book for *Cash* (see par. 53*c*)				3	9	6
,, 12.	Bought Goods for Cash.....				5	5	-
,, 13.	Sold to Henry Hoole—						
	Huxley's Lay Sermons		12	6			
	Burns.....		8	-			
	Knight's Shakespeare	2	6	6	3	7	-
,, 16.	Received P.O. (Cash) from Henry Hoole.....				1	6	-
,, 17.	Sold to H. Frost - Modern Painters..	10	4	-			
	Boswell's Johnson .	3	6	-			
	Waverley Novels..	10	10	-	24	-	-
,, 18.	Sent Harry Frost P.O. (Cash).....				1	-	-
,, 19.	Bought of George Allen—						
	1 doz. Sesame & Lilies @ 6/- each ..	3	12	-			
	1 ,, Ethics of the Dust @ 6/- each	3	12	-			
	1 ,, Ruskin's Selections @ 7/- each	4	4	-	11	8	-
,, 20.	Bought of Cassell & Co. Goods				9	13	-
,, 22.	Paid for Postage Stamps (par. 54)				1	-	-
,, 28.	Cash Sales during month (par. 53*c*) 145				18		2
,, 28.	Paid Rent (par 54).....				10	-	-
,, 28.	Paid for Advertising (par. 54)				5	6	8

Post the Journal into the Ledger. Make a Trial Balance, then Balance the Ledger, *valuing the Goods on Hand at £175*. Prepare a Balance Sheet.

53. N.B.—*(a)* When opening the Journal, **Assets** being **Dr.** balances brought forward, are **debited;** and **Liabilities** being **Cr.** balances brought forward, are **credited** thus:—

1907			Dr.			Cr.		
Feb.	1	Cash .....Dr.	283	13	8			
		Goods ..... ,,	250	6	4			
		Henry Gill ..... ,,	4	-	-			
		Thomas Gee ..... ,,	30	-	-			
		To Harry Frost				25	-	-
		,, Capital				543	-	-
			£568	-	-	£568	-	-

When posting these six items to the Ledger you must use the words *To* or *By Balance.*

(*b*) Although there are many particulars given as to the quantity and price of goods bought and sold, these details must *not* be entered in the Journal. The first transaction will come underneath the above opening entries thus :—*Goods,* .....*Dr.* £8 16 –.
To Field & Co. .....£8 16 -.

(*c*) The term **"Cash Sales"** means receipt of cash for goods sold over the counter, and must be entered *Cash Dr. To Goods.* This remark also applies to "Sold J. Lee book for cash," in which case Lee's name must *not* be entered, because the Cash is Dr. and not Lee.

54. A TRADE EXPENSES A/c. must be debited with Repairs, Stamps, Rent, and Advertising, &c. This a/c. is called a subsidiary P. & L. A/c. because it helps the latter and relieves it of much unnecessary detail. When closing the Trade Expenses A/c. enter on the **Cr.** side, *By P. & L. A/c.* £18 4 2, and carry this total to the **Dr.** side of the P. & L. A/c., and enter *To Trade Expenses A/c.*, £18 4 2. The Journal entry for the first item of Expense in Ex. 20 would be :—

Feb. 10. *Trade Exs.* (*Repairs*) *Dr.* £1 17 6
To Cash 1 17 6

Dr. **Trade Expenses A/c.** **Cr.**

1907		£	s.	d.	1907		£	s.	d.
Feb 10	To Repairs ..	1	17	6	Feb 28	*By Transfer to*			
,, 22	,, Postages..	1	-	-		*P. & L. A/c.*	18	4	2
,, 28	,, Rent	10	-	-					
,, ,,	,, Advertising	5	6	8					
		£18	4	2			£18	4	2

Supplementary Practical Exercise 20a.

Walter Marshman (Woollen Merchant) had Assets and Liabilities on the 1st November, 1908, as follows :—

Assets. Cash in hand, £600.		*Liabilities.*	
Stock of Cloth	£2000	Due to Soames & Co.	£400
Due from Samuel Fletcher	100	,, Broughton & Co..	300
,, James Ramshaw.	50	Capital	2155
,, Edward Booth ..	35		
,, George Taylor ..	70	£2855	£2855

Nov. 2.	Bought from Soames & Co. :—						
	20 Pcs. Worsted Coatings, Black=825 yds. @ 5/-			206	5	-	
	10 ,, ,, Blue= 414 yds. @ 4/6			93	3	-	
	8 Pcs. Vicunas, Black & Blue= 280 yds. @ 5/-			70	-	-	
,, 3.	Paid Soames & Co.			300	-	-	
,, 4.	Sold James Ramshaw :—						
	100 yds. Mixture Trouserings @ 3/-	15	-	-			
	80 yds. Worsted Coatings, Blk, @ 7/-	28	-	-			
	50 yds. Vicunas, Black ..... @ 6/6	16	5	-	59	5	-
,, 5.	Received Cash from Samuel Fletcher			50	-	-	
,, 7.	Sold Samuel Fletcher :—						
	120 yds. Worsted Coatings, Blue, @ 6/-	36	-	-			
	90 yds. Grey Mixture Cloth .. @ 5/-	22	10	-	58	10	-
,, 9.	Paid Broughton & Co.			150	-	-	
,, 9.	Bought of Broughton & Co. :—						
	20 Pcs. Trouserings=742 yds. @ 3/6	129	17	-			
	15 Pcs. Mixture Cloth=520 yds. @ 4/-	104	-	-	233	17	-
,, 11.	Received from James Ramshaw, Cash			50	-	-	
,, 12.	Received from George Taylor			40	-	-	
,, 12.	Paid Wages			10	5	-	
,, 18.	Sold Samuel Fletcher :—						
	200 yds. Italian Lining ..... @ 1/6	15	-	-			
	120 yds. Fancy Trouserings .. @ 4/6	27	-	-	42	-	-
,, 21.	Sold James Ramshaw :—						
	50 yds. Superfine Black Cloth @ 8/-	20	-	-			
	60 yds. Black Vicuna ..... @ 6/-	18	-	-			
	50 yds. Lining ..... @ 1/4	3	6	8	41	6	8
,, 23.	Received Cash from Samuel Fletcher			50	-	-	
,, 24.	Paid Soames & Co.			100	-	-	
,, 25.	Received Cash from James Ramshaw			59	5	-	
,, 27.	Paid Wages			11	-	-	
,, 28.	Sold George Taylor :—						
	100 yds. Blk. Worsted Coatings @ 7/-	35	-	-			
	100 yds. Trouserings ..... @ 4/-	20	-	-			
	100 yds. Linings ..... @ 1/6	7	10	-	62	10	-
,, 28.	Received from George Taylor, Cash			70	-	-	
,, 30.	Goods sold for Cash			100	-	-	
,, 30.	Paid Sundry Expenses			4	-	-	

Stock of Goods £2300.

Answer.—*Gross Profit*, £60 6 8; *Net*, £35 1 8; *Capital*, £2190 1 8.

Supplementary Practical Exercise 20b.

1908. Dec. 1. Prepare the Books of Albert Jones, Stationer.

Assets—Dr. Balances.				*Liabilities—Cr. Balances.*			
Cash	£196	8	9	Henry Stephens ..	£38	19	2
Goods	238	4	3	Hayden & Co. ..	43	5	9
Seth Whiteley	9	16	7	Millington & Co...	59	16	3
Edwin Wilson	14	2	8	Charles Town....	26	18	5
Norman Kaye	10	7	4	Capital			
	£468	19	7		£168	19	7

Dec. 1.	Bought of Henry Stephens :—						
	6 doz. Blue Black, 40 ozs. @ 24/-	£7	4	-			
	6 doz. Do. 24 ozs. @ 16/-	4	16	-			
	10 doz. Do. 4 ozs. @ 3/6	1	15	-			
	5 doz. Combined, 16 ozs. @ 16/-	4	-	-			
	8 doz. Copying, 24 ozs. @ 24/-	9	12	-			
	3 doz. Do. 5 ozs. @ 7/-	1	1				
	4 doz. Scarlet 8 ozs. @ 12/6	2	10	-			
	2 doz. Do. 2 ozs. @ 8/-		16	-			
	5 doz. Bell Shape Gum 2½ ozs. @ 4/-	1	-	-			
	6 doz. Reserve Gum 12 ozs. @ 8/-	2	8	-	£35	2	-
,, 1.	Sold to Seth Whiteley :—						
	1 Blue Black Ink, 40 ozs.		3	-			
	1 Combined Ink, 16 ozs.		2	-			
	1 Premier File, quarto		2	6			
	12 Record Ribbons @ 2/6	1	10	-			
	1 Ream Ford's Blotting	1	5	-	3	2	6
,, 3.	Paid Henry Stephens				38	19	2
,, 4.	Sold to Edwin Wilson :—						
	5000 Manilla Envelopes @ 4/6	1	2	6			
	1000 Foolscap Cartridge		9	-			
	1 Bottle Gum, 12 ozs.		1	-			
	5 Rms. Headed Letter Paper @ 5/-	1	5	-			
	3 Binding Cases @ 2/-		6	-	3	3	6
,, 5.	Received from Norman Kaye				10	7	4
,, 5.	Paid for Postage Stamps				1	10	-
,, 8.	Bought of Hayden & Co. :—						
	2 doz. Wire Letter Trays @ 24/-	2	8	-			
	3 doz. Metal Inkstands @ 18/-	2	14	-			
	4 doz. Ebony Rulers 6 × 1 @ 4/-		16	-	5	18	-
,, 9.	Received from Edwin Wilson				14	2	8
,, 10.	Sold Frederick Davey :—						
	4 Apron Files @ 1/-		4	-			
	2 Foolscap Letter Trays @ 1/3		2	6			
	2 Demy Guard Books @ 12/6	1	5	-			
	1 Date Indicator		8	-			
	3 Demy Ledgers @ 18/-	2	14	-	4	13	6
,, 11.	Paid Millington & Co.				30	16	3
,, 12.	Received from Seth Whiteley				9	16	7
,, 14.	Sold to Norman Kaye :—						
	2 Quarto Letter Books @ 7/-		14	-			
	2000 Manilla Envelopes @ 4/6		9	-			
	1000 Printed Post Cards		5	-			
	1 Copying Ink, 24 ozs.		3	-	1	11	-

Dec. 14.	Paid for Repairs.....				£3	2	6
,, 15.	Received M.O. from Frederick Davey				4	13	6
,, 16.	Bought Goods by Auction for Cash ..				16	4	3
,, 17.	Sold to Walter Richardson :—						
	1 Roll Tracing Paper	-	8	6			
	1 Roll Tracing Cloth	1	16	-			
	6 Qrs. Drawing Paper, D.E. @ 16/-	4	16	-			
	1 doz. Assorted Sable Brushes	-	9	10			
	3 Premier Files .....@ 2/6	-	7	6	7	17	10
,, 18.	Bought from Millington & Co. :—						
	100,000 No. 5 Manilla Pockets @ 3/6	17	10	-			
	25,000 Foolscap Cartridge....@ 7/6	9	7	6			
	10,000 No. 7 Owl Parchment @ 5/6	2	15	-	29	12	6
,, 19.	Sold to Seth Whiteley :—						
	4 Rms. Typewriting Quarto..@ 4/3	-	17	-			
	6 ,, ,, Foolscap @ 5/6	1	13	-			
	1,000 Commercial Envelopes	-	8	6			
	8 Rms. Duplicating Quarto ..@ 2/-	-	16	-			
	8 ,, ,, Foolscap @ 2/4	-	18	8	4	13	2
,, 21.	Received from Seth Whiteley				3	2	6
,, 22.	Paid for Advertising				6	7	6
,, 23.	Sold to Norman Kaye :—						
	1 Ellam's Duplicator	5	5	-			
	2 Tubes Black Ink .....@ 6/6	-	13	-			
	2 Bottles Varnish .....@ 1/-	-	2	-			
	5 Qrs. Stencil Paper .....@ 4/6	1	2	6			
	5 doz. Carbons .....@ 4/-	1	-	-	8	2	6
,, 24.	Bought of Charles Town :—						
	3 Rms. Purple Royal .....@ 24/9	3	14	3			
	50 Rms. Large Post, Cream Wove, 23 lbs. = 1150 .....@ 2⅞d.	13	15	6	17	9	9
,, 24.	Paid Chas. Town				26	18	5
,, 28.	Paid Hayden & Co.				43	5	9
,, 28.	Paid Christmas Gratuities				1	2	6
,, 29.	Received from Walter Richardson....				7	17	10
,, 30.	Sold Edwin Wilson :—						
	4 Manifold Books .....@ 2/-	-	8	-			
	1 Letter Balance	1	8	-			
	5,000 Manilla Envelopes ....@ 4/6	1	2	6	2	18	6
,, 30.	Received from Norman Kaye				1	11	-
,, 31.	Ready-money Sales				115	6	9
,, 31.	Paid Sundry Trade Expenses				3	15	-

Value of Stock, £269.

Answer.—*Gross Profit*, £77 18 6; *Net*, £62 1 -; *Capital*, £362 1 -;

55. BANK. A commercial Bank is an establishment for the custody and issue of money. Bank business consists principally of (1) keeping Current A/cs. for customers (2) receiving deposits at interest (3) discounting Bills of Exchange (4) advancing money in the form of Cash Credits and loans or overdrawn a/cs. (5) issuing Bank Notes (6) acting as agents for others.

The income of a Bank is chiefly derived from (1) interest on overdrawn a/cs., loans and investments (2) Commission on cheques drawn on Current A/cs. (3) charges made on discounting Bills of Exchange (4) Commission received for acting as agent (5) the issuing of Notes. Bankers accept money either on *deposit account* or *current account.*

A **Deposit Account** is one where sums of money are deposited, either for a *fixed period* of three, six, or twelve months, or available at customer's notice, or *on demand.* The rate of interest depends on the conditions of the lodgment, but no interest is allowed for a less period than a month. The acknowledgment of the receipt of a fixed sum by the banker is generally given on an oblong piece of paper, known as a Deposit Receipt, on which is specified the interest to be paid and the notice to be given before the money is withdrawn.

A **Current** or **Drawing Account** is one in which are entered debit and credit transactions between two parties; an *open* a/c. into which the customer of a bank pays money and out of which he may draw *without giving any notice*, the oldest credits being set off against the oldest debits. Money may thus be lodged in a bank to be withdrawn or added to *at any time*, with or without interest, as may be agreed upon. It is the practice in London for a Bank to require from a customer that he shall keep a **minimum balance** of say £50 or more to his credit, upon which no interest shall be allowed, and in return for which the Bank shall charge no commission to the customer on the turnover. In the provinces it is more usual to allow 2% interest on credit balances and charge 2/6% commission on the turnover, *i.e.*, on the total amount of cheques drawn. There are six great **advantages** in having a Commercial Banking A/c.:—

1. The inconvenience and danger of having in your office large sums of money is avoided, and you may receive interest thereon.

2. By means of small slips of paper called "cheques' you are able to transfer money, not only to another merchant in your own town, but also to any part of the country, thus avoiding the trouble of counting and the expense and risk of sending coin or notes. Cheques may be used as evidence in case of disputed payments; and where all your cash transactions are passed through the Bank an authentic record is thus kept.

3. You may have collected without any trouble the cash for the cheques and bills of exchange received by you, as well as have your bills of exchange discounted.

4. A banker is a continual referee as to respectability, and thus a means of increasing your credit; while information as to the stability of other traders, having a banking a/c., is easily ascertained.

5. You may overdraw your a/c. on providing sufficient security to cover the overdraft.

6. A Bank is a secure place of deposit for any deeds, papers, or other property requiring special care. It is also a ready channel of obtaining information respecting commercial transactions, payments abroad, buying or selling stock, and many other matters.

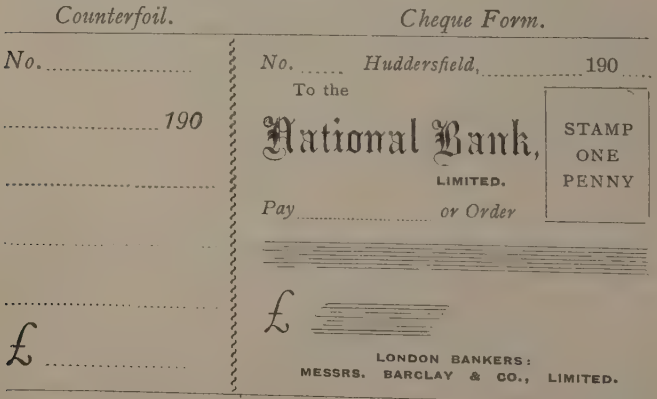
When commencing business, or opening a current or drawing a/c. with a Bank it is usual to have an interview with the Manager, to arrange the terms and sign the Autograph Book. Upon making your first deposit a—

56. PASS BOOK is handed to you by the banker, in which all the amounts received and paid away by him on your behalf are shown. This Book must be taken to the Bank at frequent intervals to be entered up, and on its return each item must be carefully checked, in order to see that you have been duly credited with all your deposits, and debited with the amounts for which you have drawn cheques. Money can only be withdrawn from a Commercial Bank by means of a—

57. CHEQUE, which is a stamped order made by the **Drawer** thereof upon a banker (known as the **Drawee**), to

pay a specified sum of money to a stated person (known as the **Payee**) or to the bearer thereof. With the view to convenience and uniformity, and as a safeguard against fraud, elaborately designed and delicately tinted cheque forms, impressed with a penny stamp (however small the amount) are supplied in books of 12, 30, 60, &c., by the bank to each of its customers, who pay the stamp duty only. It is quite legal, although unusual, to write out a cheque upon a piece of common paper and affix a penny or two half-penny postage stamps thereto. If unstamped on presentation for payment, the banker can stamp a cheque and deduct the penny from the amount paid, or charge it to his customer. A foreign cheque requires a penny postage stamp affixing on arrival in this country—not a bill stamp.

A **Cheque Book** consists of two unequal parts, divided by perforation like postage stamps, the smaller or left-hand part being called the **counterfoil ;** the larger oblong portion being the **cheque form,** which, after being filled up in *ink*, is torn off at the vertical dotted line and handed to the party to whom you have made the cheque payable. The clerk of a customer may only obtain a cheque book on presenting a *written* application (usually on a small printed form) signed by his principal.



58. A cheque may be drawn to be made payable either to **Bearer** or to **Order.**

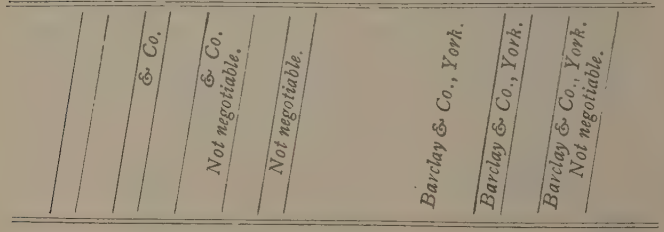
A cheque payable to **BEARER** is, as its name implies, payable to the holder or possessor or bearer of it; that is, anyone who may *present* it at the Bank. Bearer cheques do not require *endorsing*. A cheque payable to **ORDER** is the most common kind, and always requires to be endorsed by the person to whom it is made payable before the banker will cash it.

59. ENDORSING is the act of a person to whom a cheque is made payable, signing his name across the back of it, at the perforated end. A Banker is *not* liable if he pays a cheque with a forged endorsement.

60. PRESENTING a cheque is the taking of it to the Bank named on the face of the cheque, and requesting cash for the amount specified thereon. It sometimes happens, however, that where a customer has not sufficient money in the bank to meet a cheque, the banker refuses to cash the same, returning it marked R/D (Refer to drawer) or N/S (Not sufficient funds), in which case the cheque is said to be **"dishonoured."** After a cheque has been refused which exceeded the customers' balance, smaller cheques may still be paid when presented. In Scotland, however, it is not so; presentment of a cheque there establishing a lien on the balance in favour of the holder of the cheque. The remedy or right of action of the payee in respect of a dishonoured cheque is against the drawer and not the banker. On receipt of information from your banker that a cheque is dishonoured you must write to the person from whom you received it demanding immediate cash. The Journal **entry** would be, *A Person Dr. To Bank.* In practical work enter the name of the debtor on the Cr. side of the Cash Book, placing the amount in the Bank Column. A **marked cheque** is one that has been initialled by the banker upon whom it is drawn, thus indicating that he has sufficient funds with which to meet the cheque at the first "clearing" of the following day.

61. The phrase **"OR ORDER"** which follows the name of the person to whom a cheque is made payable, means that such person may, by endorsing it, *order* or *authorise* anyone else to receive the money. Therefore an **order** cheque is not **negotiable** until it is endorsed; but a *bearer* cheque is negotiable *without* endorsement. If the words *order* or *bearer* were omitted from, or struck out, it would not restrict the negotiation of the cheque, which would be treated as an **"order"** cheque and require endorsement as such.

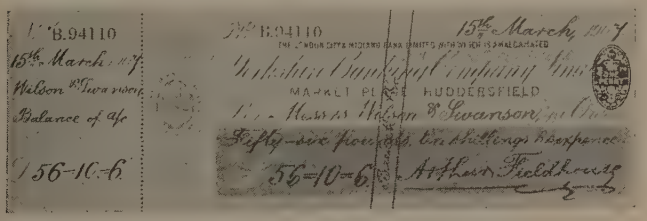
62. A CROSSED CHEQUE is one on which (a) **two parallel transverse lines** are drawn across the face with or without "*& Co.*," "*Not negotiable*," "*Under Fifty Pounds*," *&c.*, or the name of a banking firm written between them, as "*Beckett & Co.*," or "*Union Bank*"; (**b**) the name of a banker, merely, is written across, without the parallel lines.



The general effect of this **crossing** is that you cannot obtain cash for the cheque on presentation at the counter of the Bank upon which it is drawn; but must simply pay or hand over the cheque to your banker, who will collect the amount from the bankers named on the cheque, and credit your banking a/c. with the amount. Therefore the ordinary or **general crossing** of a cheque is equal to writing across it *payable through a bank only*; while writing across it the name of a bank is equal to saying to your banker *pay through this bank only*. The latter method is called

a **special crossing.** In the following example the Yorkshire Banking Co., Ltd., would be compelled to pay the £56 10s. 6d. to Beckett & Co., as the crossing specially directs it. When cheques are to be sent by post they should always be crossed. If, when drawing a cheque, you should cross it by mistake, you may cancel the crossing by writing across the cheque *Pay Cash*, and adding your signature A person receiving a crossed cheque, who has no banking a/c., must either hand it over to a person who has a banking a/c. or lodge it at a bank for collection and call in a few days for the cash. In the latter case a small commission would be charged. A cheque which is *not* crossed is sometimes spoken of as an **"open cheque."** Should you wish to draw a cheque so that none but the payee may obtain the cash, it would be necessary not only to *specially cross* it and mark it *not negotiable*, but also to strike out *or order* and insert *only*, which alteration would require initialling.

Specially Crossed Cheque.



63. In practice there are **four essentials** in **drawing a cheque ;** that is **filling** up a **cheque form.**

1. The **date** should always be that upon which the cheque is actually drawn or made out, although it is not invalid by reason only that it is *undated*, *ante-dated* (dated *before* the true time), or *post-dated* (dated

after the true time), or that it bears date on a Sunday. An undated cheque would be refused by the banker and marked *Incomplete*. Post-dated cheques cannot be cashed until the arrival of the day named thereon, and those dated on a Sunday cannot be cashed until the following business day.

2. The **name** of the **payee,** that is the person to whom it is made payable, must be clearly and boldly written. When withdrawing money from the bank for yourself the word *Self* or *Selves* must be written in the place provided for the name of the payee.

3. The **amount** must be clearly stated in **words** in the body of the cheque, and in **figures** at the left-hand bottom corner. It is named twice to save uncertainty, and as a precaution against fraud. Although the banker is bound in *law* by the words it is the *practice* to return a cheque in which the words and figures do not agree, marked *amounts differ*. Where figures only are given the cheque would be returned, marked *Incomplete*. Should the amount be altered it must be initialled by the drawer, otherwise payment will be refused.

4. The **signature** of the **drawer** or payer must be clearly written at the foot of the cheque. When an **officer** of a **company** draws a cheque he should sign as follows :—*Per pro. Leeds Steel Co., Ltd.*,

James Day, Manager.

Before tearing the cheque out of the book you should enter on the **Counterfoil** at least four items :—Date ; name of payee ; what the payment is for ; and the amount.

64. A **Banker** is his **customer's debtor** when the balance of the a/c. is in the customer's favour, and an ordinary cheque on a banker is a Bill of Exchange payable on demand, directing the banker (the drawee) to pay money to some payee. The **authority** of a banker to pay a cheque drawn on him by his customer is **determined** or rendered void by—(1) Countermand or

stopping of payment in writing. (2) Notice of customer's death. (3) Notice of customer's bankruptcy. (4) The operation of a Garnishee Order.

Although the drawer is liable for six years on a cheque, a banker would probably refuse to cash a cheque six months old as **"stale."** The **holder** of a cheque should pay it into the bank not later than the day after he has received it, as if retained longer he runs the risk of the bank failing, in which case he becomes the banker's creditor. Where a cheque has been torn in pieces and pasted together the bank would generally return it, marked *Cheque mutilated.*

A banker is bound to know his **customer's handwriting** as drawer, and if a banker pays a cheque on which the drawer's name is **forged,** the loss falls on the banker. The same rule applies if the body of a cheque be in *part* forged ; unless the customer, by his carelessness in drawing the cheque, has given opportunity for the forgery ; as in the case of a cheque for *Six Pounds*, £6, which might easily be altered to *Sixty*, £60, if carelessly drawn.

If a **banker disobeys** the **crossing** (that is, if he pays a crossed cheque across the counter or a specially crossed cheque to the wrong banker), he is liable to the true owner of the cheque for any damage he may sustain through such payment.

65. When a **crossed cheque** is marked **" Not negotiable,"** it means that the receiver shall not have, and shall not be capable of giving, a better title to the cheque than the person from whom he took it had. If the person who transfers the cheque had a good title, the taker is safe ; otherwise, though he presents the cheque and gets the money, he may have to refund it. These two words *do not prevent transfer* of a cheque, but merely constitute a **caution** addressed to the receiver or transferee and really mean—**" Beware of the Transferor "**—the person handing you the cheque. If you accepted such a cheque from a stranger in return for some goods, and on presentation it was found that the stranger had

stolen it, you, although innocent, would lose the value thereof, which would be restored to its lawful owner, who is protected from loss by these two words. The banker on whom the cheque is drawn may pay it to any banker who presents it if crossed generally, or to the banker named if it be crossed specially, and the banker who receives the money may pay it to his customer, and neither banker, if he has acted in good faith and without negligence, will be liable to refund the money. The words *not negotiable* themselves do *not* constitute a crossing.

66. How are **CHEQUES entered** in the **JOURNAL?**

a. All cheques **received** by you must be treated as ordinary cash receipts, and therefore **debited** against the **Cash A/c.,** and credited to the person or a/c. paying them to you. You will place them in your cash-box, and when balancing will reckon them along with the gold and silver as part of your balance.

b. Some merchants make a practice of endorsing and paying away cheques which they have received from their customers to others, to whom they are indebted ; in which case the person to whom it is paid is debited and Cash A/c. credited. For instance, you receive a cheque from E. Hart for £28 (which you debit to cash) and hand it on to your Creditor, G. Allen. The Journal entry on remitting Allen would be –

G. Allen...Dr. £28. To Cash - £28.

c. If you draw a cheque in favour of a merchant from your own cheque book your Cash A/c. is *not* affected thereby, because the merchant would present and obtain the cash for the cheque from your banker. Therefore you would debit the merchant and **credit** the **Bank A/c.,** not the Office Cash A/c. When you require cash for the office use you draw a cheque in favour of *Self.* This is called *drawing cheque for cash,* and would be journalised thus : – *Cash, Dr. To Bank.*

d. At least thrice a week a merchant should pay his surplus cheques, &c., into the bank, the entry for this transaction being *Bank Dr. To Cash.* The cash is handed to the banker's cashier or **teller,** accompanied by a paying-in-slip, or—

67. CREDIT SLIP, upon which is entered the amount of the bills, cheques, notes, and coin ; the total thereof being credited to the payer by the banker. The advantage of the use of this slip is that it can be referred to in case there should arise any dispute as to the amount intended to be paid in. Most Credit Slips have Counterfoils attached to them, in which case you would enter the particulars on the Counterfoil for reference. Most customers get the Counterfoil initialled by the banker's clerk, while others require the amount to be entered in the Pass Book.

To the Yorkshire Banking Company, Limited.

Bank of England Notes ...	100	-	-
Country Notes	20	-	-
Gold { Sovs. ... £50 / Half-Sovs. £10	60	-	-
Silver and Copper... ...	12	-	-
Total Cash ...	192	-	-
Local Cheques and P.O's.	83	10	-
Country Cheques	264	17	6
London Cheques	119	2	6
Bills	300	-	-
Total £	959	10	-

2nd March, 1908.

Credit *the Current Account of*

..... *Self*.....

with the sum of £959 : 10 : -

paid in by

ALBERT PUPIL.

68. CASH not only includes the current coins of the realm, cheques, M.O. and P.O., but also **BANK NOTES,** which are promissory notes on some bank, payable to bearer on demand. Those banks privileged to issue notes are known as Banks of Issue. Very few of these, issue notes of a greater value than £5. The only bank

issuing notes of a greater value than £100 is the Bank of England, which is the largest banking concern in the world. **"The Bank"** as it is called, issues notes for £5, £10, £20, £50, £100, £500, and £1,000. In Scotland and Ireland £1 notes are common.

However useful and convenient cheques may be, they are not *legal tender*, and they cannot at all times take the place of coin. For instance, if you make a purchase at a sale by auction, where you are unknown, the Auctioneer would not accept a mere cheque in payment of your indebtedness. He would, however, readily take any number of Bank of England notes, as they represent gold. The advantage bank notes have over large amounts of coin is evident, particularly when it is remembered that 1,000 sovereigns weigh over 21 lbs. troy.

Notes issued by any bank other than the Bank of England are called *Country Notes*, in order to distinguish them from the *Bank Notes* issued by the Bank of England, which enjoys the exclusive privilege of issuing notes in London and for many miles around.

69. COMBINATIONS in **Journalising** are indicated by asterisks or stars.* It frequently happens that transactions of a **similar nature** occur on the **same date,** in which case they should be combined in order to reduce the number of entries and postings. For instance, all the three transactions on March 5th in the next exercise are in respect of goods sold. Instead of journalising each item separately, and writing *To Goods* three times, you may combine them as shown below, thus saving two entries and postings for goods :—

March 5.	*Henry Hoole* .....*Dr.*	£2	7	-	
	George Grace ..... ,,	19	-	-	
	Edwin Hart ..... ,,	27	10	-	
	To Goods.....				£48 17 -

When **posting** the combined sum of £48 17 - to the Goods A/c. in the Ledger, you cannot say *By Hoole, Grace and Hart*, but must use the word—

70. "Sundries," which denotes *more than one a/c.* This word is generally employed when posting an amount made up of more than one item.

Exercise 21.

Journalise the following transactions of Albert Pupil, whose Ledger balances on March 1st, stood thus :—

1907.			*Dr.*			*Cr.*		
Mar. 1.	Cash	*Dr.*	401	19	2			
	Goods	,,	175	-	-			
	Thomas Gee	,,	30	-	-			
	Henry Hoole	,,	3	7	-			
	Field & Co.					8	16	-
	George Allen					11	8	-
	Cassell & Co.					14	12	-
	Capital					575	10	2
			£610	6	2	£610	6	2

	Transactions.	£	s.	d.
Mar. 2.	Paid into Bank (par. 66*d*)	390	-	-
,, 3.	Bought Goods of Cassell & Co.	25	-	-
,, 4.	Paid Cash for Cheque Book (Trade Exs.)	-	8	4
,, 5.	*Sold Henry Hoole, Goods (par. 69)	2	7	-
,, 5.	* ,, George Grace, Goods	19	-	-
,, 5.	* ,, Edwin Hart, Goods	27	10	-
,, 6.	Sent Cassell & Co. crossed cheque (par. 66*c*)	39	12	-
,, 8.	Bought of Cassell & Co., Goods	45	-	-
,, 9.	Received Cheque from Edwin Hart (66*a*)	28	-	-
,, 11.	Sold Goods to Edwin Hart	34	-	-
,, 12.	*Bought Goods of George Allen (par. 69)	16	2	-
,, 12.	* ,, ,, Cassell & Co.	10	-	-
,, 12.	* ,, ,, for Cash	3	7	-
,, 13.	Sold Goods for Cheque (66*a*)	5	-	-
,, 13.	Paid Wages in Cash (Trade Exs.)	4	-	-
,, 15.	Sent Cheque recd. from E. Hart to G. Allen (66*b*)	28	-	-
,, 16.	Received crossed cheque from Henry Hoole	5	14	-
,, 17.	Paid into Bank	10	14	-
,, 18.	*Sent Cassell & Co., a cheque (par. 69)	45	-	-
,, 18.	* ,, Thomas Gee a cheque	15	-	-
,, 20.	Drew Cheque for Cash (par. 66*c*)	15	-	-
,, 22.	Sold George Grace, Goods	10	-	-
,, 24.	Bought of Field & Co., Goods	17	-	-
,, 26.	Sent Cheque to Field & Co.	8	16	-
,, 28.	Received Cheque from Thomas Gee	45	-	-
,, 30.	Paid A. Day, Rent by cheque (Trade Exs.)	10	-	-
,, 30.	,, Gas Co. for Gas by cheque (Trade Exs.)	8	7	-
,, 31.	Cash Sales during month (par. 53*c*)	90	6	8

Post. Make T/B. *Value of Stock* £196. Prepare B/S.

Exercise 22.

Journalise; Post; make T/B.; close a/cs. and draw B/S.

1907.			£	s.	d.
Apl.	1.	The Cashier had in hand (par. 39)	2000	-	-
,,	2.	Paid to Bank (par. 66*d*)	1950	-	-
,,	3.	Bought from Prince & Co., 500 yards Cloth ..	190	-	-
,,	4.	Received from Coop & Co., 320 yards Cloth ..	40	-	-
,,	4.	Received from Bank (par. 66*c*)	40	-	-
,,	4.	Paid Coop & Co., 4 £10 notes (Cash)	40	-	-
,,	5.	Sold George Webb, 120 yards Cloth.....	30	4	8
,,	6.	Received from George Webb, 2 £5 notes (Cash)	10	-	-
,,	6.	Bought from Coop & Co., Silk....£145 - - Satin.... 72 17 6—217	17	6	
,,	8.	Paid Fire Insurance Premium by cheque (T/E.)	4	10	-
,,	9.	Forwarded G. Webb, Velvets, £30, Satin, £29 6	59	6	-
,,	10.	Bought for Cash, Silk	12	10	-
,,	11.	Paid to Bank	20	-	-
,,	11.	Received from Dodd & Co., Cheque (66*a*)	10	-	-
,,	12.	Bought from George Webb, 300 yards Cloth ..	66	-	-
,,	14.	Sent Dodd & Co., Silks, £38, Cloth, £16.....	54	-	-
,,	15.	Sold John Terry, Goods for Cash (par. 53*c*) ..	14	10	6
,,	16.	Bought from Coop & Co., Goods	20	-	-
,,	19.	Bought from James Land—Merino ..£37 10 Stuffs ..177 10—215		-	-
,,	23.	Paid Borough Rate by Cheque (T/E.).....	5	5	-
,,	26.	Cash Sales (par. 53*c*).....	400	-	-
,,	30.	Paid into Bank	350	-	-
,,	30.	Paid Salary with £10 note, Cash (T/E.)	10	-	-
,,	30.	Paid Sundry Trade Expenses in Cash	25	-	-

Value of Goods unsold, £399 10s. 0d.

71. INTEREST is the premium or sum paid by a borrower for the use of money, and is usually charged at so much per cent. per annum. It is also the produce of employed capital. For example, in Ex. 23 you will find that the Capital invested is £700. It will be clear that had your business borrowed this £700 from a money lender you would have had to pay the interest thereon. And likewise when you employ **your money** in your own business it must be treated as a **loan** to the **business,** and interest charged by you in respect thereof, as though it were lent to you by someone else, or invested in some security. **Interest** on **Capital** whether your own—the trader—*or borrowed Capital*, is a charge against or a loss to the business, and an allowance or gain to the lender; hence, journalise thus:—

May 31. *Interest A/c....Dr.* £2 15 -
To Capital A/c. (or Lender's A/c.)...£2 15 -

72. BANK CHARGES include interest on overdrafts, commission on cheques and drafts, charges for cheque books, postages, and for collecting cheques payable abroad. While all Banks charge interest on overdrawn A/cs., most of them also allow interest on the minimum monthly balance of the Current A/cs. of their customers. The **Commission** charged by banks to their customers for cashing cheques drawn by them varies from 1/6 to 2/6 per cent. It is customary for Banks to balance their books every half-year, when the Pass Books are also balanced and ruled off. When an a/c. is **overdrawn** (that is where the customer owes a balance to the bank) an entry will appear on the Dr. side of the Pass Book (in provincial banks) for *Bank Charges*, to cover the interest on the amount owing, and commission, &c. This amount may be debited to the *Trade Exs. A/c.* and credited to the Bank. On the other hand, when you have a balance at the Bank you will find interest added to the Cr. side of the Pass Book, in which case you would journalise as follows :—

June 30. *Bank...Dr.* ..... £3 5 -
To Interest A/c .....£3 5 -

or enter on the **Dr.** side of the Cash Book :—

June 30. *To Bank Interest*.....£3 5 -

73. DISCOUNT is an abatement or allowance made upon the payment of a sum of money, and usually takes the form of a percentage deduction. Thus, if you purchase goods value £10, and the invoice states 2½% *in 30 days*, it means that the seller will accept any time *within* 30 days from the date of the invoice, the sum of £9 15 - in discharge, thereby allowing 5/- for discount. There are two forms of commercial discount. (*a*) **Cash** Discount is an allowance made on the *prompt payment* of a debt, or before it is due, or for payment within a given period, as illustrated above. The price paid for the advantages of Ready Money. (*b*) **Trade** discount is an allowance

(usually specified on the invoice) made by wholesale merchants to retail dealers (irrespective of time), varying from 2½ to 95%, in accordance with the custom of each particular trade.

Discount allowed *by* you, being a *loss*, is *debited*, while that allowed *to* you, being a *gain*, is *credited*, to the Discount A/c. Being a deduction from the amount owing, the Discount is *always* entered *underneath* and in the *same column* of the Journal as the Cash, thus :—

May 10.	*Cash*.....*Dr.*	£30 - -		
	Discount A/c.	16 -		
	To Arthur Carr		30	16 -
,, 15.	*Penn & Co.* .....*Dr.*	£105 - -		
	To Bank		100	- -
	,, *Discount A/c.*		5	- -

For **practical** method see page 85.

On **balancing** the Ledger transfer the *differences* of the Interest and Discount A/cs. to the P. & L. A/c., and enter--*To* or *By Interest A/c.* or *Discount A/c.*

In **practical** work the **totals** of the Discount columns of the Cash Book are posted, as shown in the second example below.

Dr. **Discount A/c.** (Ex. 23). **Cr.**

1907	*Allowed by me*				1907	*Allowed to me*			
May 10	To A. Carr	-	16	-	May 15	By Penn & Co.	5	-	-
,, 29	,, W. Fell	-	5	-					
,, 31	,, *Transfer to P. & L. A/c.*	3	19	-					
		£ 5	-	-			£ 5	-	-

Dr. **Discount A/c.** (Ex. 28.) **Cr.**

1908						1908					
Jan. 31	To Sundry Debtors per	C.B.	19	16	3	Jan. 31	By Sundry Creditors...	C.B.	31	-	4
,, 31	,, *Transfer to P. & L. A/c.*		11	4	1						
		£	31	-	4			£	31	-	4

Exercise 23.

Journalise, post, make T.B. ; close a/cs. and prepare B/S.

1907.		£ s. d.	£ s. d.
May 1.	Cash in hand (*N.B. at foot of page*)..	39 10 -	
	,, Bank	332 8 -	
	Goods valued at	350 10 -	
	Thomas Aller owes me	35 10 -	757 18 -
	I owe Penn & Co.		57 18 -
	Transactions.—		
,, 4.	*Sold Goods to Arthur Carr		30 16 -
,, 4.	* ,, ,, Thomas Aller		45 12 -
,, 5.	Received Cash for Goods		37 7 6
,, 5.	Paid Cash into Bank		70 - -
,, 10.	Recd. from Arthur Carr, Cash (73).. £30 - -		
	And I have allowed him Discount.. 16 -		30 16 -
,, 11.	Withdrew from Bank.....		10 - -
,, 12.	Thomas Aller paid into my Banking A/c.....		50 - -
,, 12.	Paid Cheque for Goods.....		67 10 -
,, 12.	*Sold Arthur Carr, Goods		24 15 -
,, 12.	* ,, Walter Fell, Goods.....		48 5 -
,, 14.	Paid for Stationery (Trade Exs.)		4 16 -
,, 15.	Bought of Penn & Co., Goods		56 16 -
,, 15.	Paid Penn & Co., Cheque (73) .....100 - -		
	And they allowed me Discount .... 5 - -		105 - -
,, 15.	Recd. from Walter Fell, Bank Notes.....		40 - -
,, 20.	Cash Sales (par. 53*c*.).....		36 12 6
,, 29.	Recd. M.O. from Walter Fell (73) .. £8 - -		
	And I allowed him Discount ..... 5 -		8 5 -
,, 30.	Paid Rent of Warehouse by Cheque (Trade Exs.)		20 - -
,, 30.	Paid into Bank		75 - -
,, 31.	Paid Sundry Trade Expenses for month		7 17 6
,, 31.	Paid Wages in Cash (Trade Exs)		4 10 -
,, 31.	Interest on Capital (par. 71).....		2 15 -
	Value of Stock £310.		

N.B.—(*a*) In the opening entries the amount of the Capital is not given. It may be easily ascertained by deducting the only liability to Penn & Co., of £57 18s. 0d. from the total of the four items of assets £757 18s. (See par. 28.) Journalise the opening entries thus :—

1907.		*Dr.*	*Cr.*
May 1.	*Cash* .....*Dr.*	39 10 -	
	Bank ..... ,,	332 8 -	
	Goods ..... ,,	350 10 -	
	Thomas Aller ..... ,,	35 10 -	
	To Penn & Co.		57 18 -
	,, *Capital*		700 - -
		£757 18 -	757 18 -

74. BAD DEBTS. (Also par. 95a. p. 85.) During the course of your business career you will no doubt meet with customers who will purchase goods and fail to pay for them. Some of these will become insolvent and bankrupt, while others will abscond or run away. From the former you may receive a composition or dividend upon the amount owing; but from the latter a total loss will be likely to accrue. The result in either case is a bad debt, which may be defined as a debt receivable, that is sure to result in either a partial or a total loss. When you sustain a loss of this character, it must be *written off*, and a **"Bad Debts A/c."** must be opened, to which the amount lost must be debited. Like discount, the amount of the bad debt is *always* entered *underneath* and in the *same column* of the Journal as the *Cash* received. For instance, "Received cheque for Debt of C. Bond, being first and final dividend of 10/- in the £ on £70," would be journalised thus :—

June 4.	*Cash*	*Dr.*	£35
	Bad Debts A/c	,,	£35
	To Charles Bond		£70

It is clear that if you merely credited Bond with the Cash, his a/c. would show an asset of £35, which would not be the fact, as you have accepted that sum in *discharge* of the £70, therefore Bond is legally relieved of future liability in respect of his debt, and his a/c. must be closed by being credited with the full amount. (See page 85).

Whenever you are made aware that one of your debtors has died or absconded and left no assets behind, or has become bankrupt, and his assets are insufficient to cover the expenses attending the bankruptcy proceedings, or when a debt receivable has become *statute barred*, you must at once debit the Bad Debts A/c. and credit the debtor with the full amount.

Should you be surprised one day by receiving an amount previously written off as bad or irrecoverable, you would credit the Bad Debts A/c. therewith,

On **balancing** the Ledger, the *difference* of the Bad Debts A/c., which is merely a sub-division of and subsidiary to the P. & L. A/c., must be transferred to the latter A/c., and entered *To Bad Debts A/c.*, £95.

Dr. **Bad Debts A/c.** (Ex. 24). **Cr.**

1907		£	s.	d.	1907		£	s.	d.
June 4	To C. Bond, 10/-	35	-	-	June 30	*By Transfer to P. & L. A/c...*	95	-	-
,, 27	,, Stocks & Co., 13/4	60	-	-					
		£ 95	-	-			£ 95	-	-

Dr. **Charles Bond**, Dock Street, Hull. **Cr.**

1907			£	s.	d.	1907		£	s.	d.
June 1	To Balance	b/d.	70	-	-	June 4	By Cash	35	-	-
							,, Bad Debt	35	-	-
		£	70	-	-		£	70	-	-

75. CHARGES ON GOODS. The purchase and sale of goods generally necessitates their conveyance from one place to another, and sometimes their lodgment in warehouses, and on docks or wharves. All charges for or in respect of the conveyance or warehousing of goods increase the cost and must be debited to a **Carriage A/c.,** the *total* of which must be carried to the Trading or P. & L. A/c. when balancing. The payment of carriage should be recorded in the Cash Book, thus:

June 15th. By Carriage.....£18 10s.

76. PETTY CASH is a sum of money allotted for the payment of small and trivial expenses; such as Postage Stamps, Carriage on Parcels, String, Newspapers, Stationery, Travelling Expenses, Subscriptions, Time Tables, Gratuities, Matches, &c. An advance is made from the General Cash to Petty Cash A/c., the latter being debited and the former credited. The balance of Petty Cash is, of course, an asset. The **Petty Cash Book** is usually kept by a junior clerk, in which he records, in a convenient form for combined posting, the numerous small expenses above mentioned. The method generally adopted is that known as the **Imprest System,** whereby an even amount is advanced by the Cashier to the Petty Cash keeper, the total of his petty payments

being refunded to him at the end of the month, thus leaving him with the *imprest amount in hand*, for the petty expenses of the following month. The Petty Cash Book therefore only needs one side, seeing that it is Dr. for a *fixed* amount. In small businesses the **total** of each month's disbursements is debited to the Trade Exs. A/c., while in larger concerns the items are analysed either by tabular columns or otherwise, and carried to their respective a/cs. in the Ledger, on balancing the books. The six analytical columns in the example given in the appendix may, of course, be dispensed with.

In working exercises, a solitary P.C. payment may be journalised thus :—*June 30, Trade Expenses Dr. To Petty Cash, £4 7s. 10d.*, this being posted to a P.C. A/c. in the Ledger. When there are several items the more practical method of keeping a P.C. Book should be adopted, which, of course, dispenses with the necessity of keeping an ordinary Ledger A/c.

Exercise 24.

1907.	(*These opening entries are shown on page* 95.)	£	s	d.
June 1.	*Assets*—Cash at Bank	1237	10	-
	Do. Office	53	10	-
	Goods valued at	755	-	-
	Due from Alfred Wells	123	15	-
	Do. Stocks & Co.	79	-	-
	Do. Charles Bond	70	-	-
	Do. Henry Bell	100	-	-
	Liabilities—Due to William Smith	135	-	-
	Do. Walter Rudd	165	-	-
	Do. Martin Kidd	209	-	-
	Do. John Ball	59	15	-
	Albert Pupil's Capital	1850	-	-

	Transactions.	£	s.	d.
June 1.	Advanced for Petty Cash (*By Petty Cash*)	5	-	-
,, 2.	Sold A. Wells, Goods for Cash (*practical page* 99)	125	-	-
,, 2.	Paid Walter Rudd, cheque £164 2/-, Dis. 18/- .	165	-	-
,, 2.	Paid into Bank	100	-	-
,, 2.	Remitted William Smith on a/c. by cheque ..	100	-	-
,, 4.	Rec. Cheque for Debt of C. Bond, being first and final div. of 10/- in the £ on £70 (74)....	35	-	-
,, 5.	*Sold Caleb Brett, Goods	90	-	-
,, 5.	*Sold Alfred Wells, Goods	43	-	-
,, 6.	*Received cheque from Alfred Wells	100	-	-
,, 6.	* Do. do. Henry Bell.....	50	-	-
,, 7.	Paid cheques received into Bank (66*d*)	150	-	-

June 9.	Bought of Martin Kidd, Goods	550	-	-
,, 9.	Remitted (sent) him cheque on a/c.	200	-	-
,, 11.	Sold Henry Bell, goods	78	10	-
,, 12.	Sold goods for cheque, paid it bank to-day (*N.B.d*)	93	-	-
,, 14.	Drew cheque on bank for cash (66*c*)	50	-	-
,, 15.	Paid G.N.R. Co. in cash, their carriage a/c. (75)	18	10	-
,, 17.	Paid Cash for Repairs	17	15	-
,, 18.	Sold Stocks & Co., goods for cash (*N.B.a*)	160	-	-
	And on credit	101	-	-
,, 20.	Bought of John Ball, goods.....	20	5	-
,, 23.	Bought goods for cheque £300, for cash £20 ..	320	-	-
,, 24.	Paid rent by crossed cheque	40	-	-
,, 24.	Received from Alfred Wells, cheque £60 - -			
	Discount allowed by me..... 3 15 -	63	15	-
,, 25.	Sent J. Ball cheque in settlement, £76, Dis. £4.	80	-	-
,, 27.	Recd. from Stocks & Co., a composition of 13/4			
	in the £ in discharge of debt £180 (74).....	120	-	-
,, 29.	Paid into Bank	310	-	-
,, 30.	Cash Sales during month (53*c*)	317	10	-
,, 30.	*Paid Trade Expenses by cash.....	24	6	-
,, 30.	* Do. do. petty cash (76)	4	7	10
,, 30.	*Due* to Midland Railway Co. for carriage (*N.B.b*)	23	4	5
,, 30.	Interest credited to my a/c. at Bank (72)	3	5	-
,, 30.	Interest on Capital (71).....	7	14	-
	Value of Goods £990.			

N.B.—(*a*) In journalising debit cash £160, Stocks £101. To Goods £261. In practical work put total in Sales Book.

(*b*) This amount is not paid but merely *due*, therefore it is *Carriage Dr. To Midland Railway Co.*

(*c*) "On a/c." means "in part payment of a larger sum."

(*d*) When a cheque is received and paid into Bank same day the Bank should be debited and *not* Office Cash.

77. PARTNERSHIP is the relation which subsists between persons carrying on business in common with a view to the acquisition of gain. The combination of two or more (not exceeding twenty) persons called Partners, to carry on any business or trade, each sharing the profits and losses as may be previously arranged. The chief advantages of a partnership are union of capital and union of different qualities. Although not absolutely necessary, it is customary and expedient for partners to have prepared by a Solicitor and to sign a stamped agreement known as *Articles of Partnership* setting forth the terms arranged between them. The death or bankruptcy of any ordinary or general partner dissolves the partnership unless otherwise stipulated by

an agreement. In a **Limited Partnership,** which must be registered, there must be one or more *general* partners liable for all the debts of the partnership, and one or more *limited* partners, who are liable for such debts to a stated amount only.

An a/c. should be opened for each partner's capital : the entry for the first item in the next exercise being :—

July 1. *Cash*.....*Dr.* £2,000.
To Albert Pupil's Cap. A/c. .....£1,000.
,, *Leo Pupil's do.* .....£1,000.

In **practical** work these two amounts would be entered on the **Dr.** side of the Cash Book, office column.

As the shares of the partners are in this case equal, you will, when closing the P. & L. A/c., share the difference equally between them as shown below :—

Dr. **Profit & Loss A/c.** (Ex. 25). **Cr.**

1907		£	s.	d.	1907		£	s.	d.
July 19	To Bad Debt (G. Peel)	62	-	-	July 31	By Gross Profit from Timber A/c. ...	212	10	-
,, 31	,, Interest A/c.	6	5	7					
,, ,,	,, Discount A/c.	3	19	9					
,, ,,	,, Trade Exs. A/c. ..	18	5	6					
,, ,,	,, Wages A/c.	16	-	-					
,, ,,	,, *Capital A/cs.* :—								
	A. Pupil £52 19 7								
	L. Pupil £52 19 7	105	19	2					
		£212	10	-			£212	10	-

78. DRAWINGS OF PARTNERS are those amounts, or the value of those goods, which are withdrawn by them from the firm for their private use, during the progress of the business. These sums must not be debited to their Capital a/c., but a *subsidiary* a/c. to the Capital a/c., known as a **Drawings a/c.** for each partner must be opened and debited. The **interest** allowed on the capital of each partner (see par. 71), as well as his share of the profit realised or loss sustained, must be placed to his **Capital a/c.,** unless a **Current a/c.** is kept, in which case they may be transferred thereto. **Partner's Salaries** should be debited to the P. & L. A/c. **Drawings** and **Current a/cs.** are balanced in the ordinary manner, but being subsidiary to the Capital A/cs., the *difference* of each must be transferred to the *Capital A/c.* affected.

The items on the 16th July in Ex. 25 would be entered on the **Cr.** side of the Cash Book in the Bank column, or journalised thus :—

A. Pupil's Drawings A/c.....Dr. £10
L. Pupil's do. 10
To Bank £20

If the **withdrawals** of the partners are *unequal*, **interest** should be charged thereon, Ex. 42, thus :—

C. Maxey's Drawings A/c .....Dr. £1 6 5
W. Bell's do. 10 11
To Interest A/c. £1 17 4

Dr. **Albert Pupil's Capital A/c.** **Cr.**

1907			£	s.	d.	1907			£	s.	d.
July 31	To Drawings A/c		20	-	-	July 1	By Cash		1000	-	-
,, 31	,, *Balance*	c/d	1037	2	11	,, 31	,, Interest.....		4	3	4
						,, 31	,, Net Profit...		52	19	7
		£	1057	2	11			£	1057	2	11
						Aug. 1	By Balance ...	b/d	1037	2	11

Dr. **Albert Pupil's Drawings A/c.** **Cr.**

1907			£	s.	d.	1907			£	s.	d.
July 16	To Bank		10	-	-	July 31	*By Transfer to Capital A/c.*		20	-	-
,, 30	,, Do.		10	-	-						
		£	20	-	-			£	20	-	-

Dr. **Leo Pupil's Capital A/c.** **Cr.**

1907			£	s.	d.	1907			£	s.	d.
July 31	To Drawings A/c		20	-	-	July 1	By Cash		1000	-	-
,, 31	,, *Balance*	c/d	1037	2	11	,, 31	,, Interest.....		4	3	4
						,, 31	,, Net Profit...		52	19	7
		£	1057	2	11			£	1057	2	11
						Aug 1	By Balance ...	b/d	1037	2	11

Dr. **Leo Pupil's Drawings A/c.** **Cr.**

1907			£	s	d,	1907			£	s	d.
July 16	To Bank		10	-	-	July 31	*By Transfer to Capital A/c.*		20	-	-
,, 31	,, Do.		10	-	-						
		£	20	-	-			£	20	-	-

Balance Sheet of Pupil Bros., on 31st July, 1907.

Liabilities.	£	s.	d.	Assets	£	s.	d.
Sundry Creditors:—				Cash in hand..... £38 17 9			
Tree & Co.	40	-	-	Cash at Bank..... 548 3 7			
Capital:—				Petty Cash 2 3 6			
Albert Pupil...£1037 2 11					589	4	10
Leo Pupil ...£1037 2 11				Sundry Debtors:—			
	2074	5	10	Benjn. Dean... £21 - 3			
				Howe & Co.... 173 10 -			
				Clifford Pears 83 - -			
				Samuel Giles 57 10 9			
					335	1	-
				Stock of Timber	990	-	-
				Goodwill	200	-	-
	£2114	5	10		£2114	5	10

79. GOODWILL. Perseverance and industry are usually successful, and a commercial or professional man who has worked steadily through the weary period of probation finds, sooner or later, that his goods or services are in fairly constant demand. This is seldom due however, to the number of his promiscuous customers or clients, but rather to the fact that certain persons go to him regularly. These regular customers have confidence in the man, and *goodwill* towards him; and they constitute what has been well called his "connection," commercial or professional, thus affording him the security of a fairly constant income. The labour and expense by which he has acquired a reputation and gained the good feeling of these persons, would, in the event of his leaving the neighbourhood, be completely lost to him, were it not that experience has shown that in many cases, part of this goodwill may be transferred to another. There are generally to be found persons who are eager to acquire in this way, as it were, a **ready made business**, and who are willing to pay large sums of money for the opportunity of so doing. Goodwill has been defined as (1) "Nothing more than the chance that the old customers will resort to the old place." (2) "That connection in a trade which induces customers to deal with the persons who carry on the business." (3) "The benefits and advantages accruing from the habitual customers of a successful business,"

(4) "The advantage or benefit which is acquired by an establishment beyond the mere value of the capital employed therein, in consequence of the general public patronage and encouragement which it receives from constant or habitual customers on account of its local position, or common celebrity, or reputation for skill or affluence or punctuality, or from other accidental circumstances or necessities, or even from partialities or prejudices."

While Goodwill has a cash value when a business is being sold or a partner admitted, it is not generally available for the discharge of ordinary liabilities, and being therefore of such an uncertain and precarious character, Goodwill should generally be *written off* or depreciated by annual instalments until it is extinguished.

The price paid for Goodwill is generally based on the *average net profits*. For instance, a business which has produced an average annual net profit of £100 might be bought at a price of *two years' purchase*, viz.: £200. The price varies from one year's purchase to five, and from the few pounds paid for the Goodwill of a small retail shop to the millions obtained on the flotation of a large limited Company.

In purchasing a business the amount *un*expended by the purchasers is called **Working Capital**. In Ex. 25 Pupil Bros. commence business with £2,000, and they purchase from Exley his business for £1,500, thus leaving them £500 with which to *work* the business. In Ex. 25 journalise the purchase of the business thus :—

July 1.	*Goodwill A/c*	*Dr.*	£200	-	-
	Timber A/c	,,	950	-	-
	Benjamin Dean	,,	21	10	3
	Howe & Co.	,,	111	15	2
	Clifford Pears	,,	24	6	7
	George Peel	,,	93	-	-
	Samuel Giles	,,	49	8	-
	Oliver Helm	,,	50	-	-
	To John Exley				£1500

Exercise 25.

Albert and Leo Pupil commenced business on the first July, 1907, as Timber Merchants, under the style or firm of Pupil Bros., each with cash £1000. (See par. 77) (Practical see page 99.)

On the same day they purchased for £1500 in cash the business of John Exley, including the goodwill, for £200 ; Stock of Timber for £950, and Book Debts as follows :—Benjn. Dean, £21 10 3 ; Howe & Co., £111 15 2 ; Clifford Pears, £24 6 7 ; George Peel, £93 ; Samuel Giles, £49 8 ; Oliver Helm, £50 . (See par. 79.)

Do not forget to record the payment to Exley of £1500 *in cash.*

			£	s.	d.
July	2.	Opened Bank A/c. and deposited	450	-	-
,,	3.	*Sent Timber to Clifford Pears	39	10	-
,,	3.	* Do. Samuel Giles	15	6	9
		(*Use the name Timber A/c. in this Ex. instead of Goods.*)			
,,	4.	Advanced to Petty Cash (76)	10	-	-
,,	4.	Rec. cheque from C. Pears £23, Dis. £1 6 7	24	6	7
,,	5.	Bought Timber from Tree & Co.	168	10	-
,,	5.	Paid Carriage thereon by cheque (75)	10	7	6
,,	5.	Sold Timber for Cash	26	4	3
,,	5.	Paid into Bank	50	-	-
,,	8.	Sold Timber for cheque	78	10	-
,,	9.	Remitted Tree & Co., cheque £160, Dis. £8 10	168	10	-
,,	11.	Bought of Tree & Co., Timber	146	-	-
,,	11.	*Sold Timber to Howe & Co.	173	10	-
,,	11.	* Do. Benjamin Dean	29	10	-
,,	11.	* Do. Oliver Helm	63	8	-
,,	12.	Paid Cheque into Bank (66*d*)	78	10	-
,,	12.	Paid Cash for Carriage of Timber (75)	9	17	6
,,	13.	Paid Borough Rate in Cash (Trade Exs)	10	9	-
,,	14.	Drew Cheque for Cash (66*c*)	20	-	-
,,	15.	Rec. cheq. from Howe & Co., £106, Dis. allowed	5	15	2
,,	16.	*Albert Pupil drew cheque for private use (78)..	10	-	-
,,	16.	*Leo Pupil do. do. ..	10	-	-
,,	16.	Drew cheque for Wages (80)	8	-	-
,,	17.	Endorsed cheque received from Howe & Co., and sent it to Tree & Co., on a/c. (66*b*)	106	-	-
,,	19.	George Peel failed and paid into our Banking A/c. a composition of 6/8 in the £ on £93 (74)	31	-	-
,,	23.	Rec. cheques (paid into Bank same day)	183	-	-
		From *Benjamin Dean on a/c.	30	-	-
		*Samuel Giles on a/c.	45	-	-
		*Oliver Helm, £108, Dis. £5 8 - ..	113	8	-
		(*Bank Dr.* £188, *Discount Dr.* £5 8 -)			
,,	26.	*Sold Timber to Clifford Pears	43	10	-
,,	26.	* Do. Samuel Giles	37	16	-
,,	30.	Albert and Leo Pupil each drew a cheque for £10 for private use (78)	20	-	-
,,	30.	Drew cheque for Wages (80)	8	-	-
,,	31.	Bank Interest credited (72)	2	1	1
,,	31.	Credit int. on Cap. in each case (71) £4 3 4 ..	8	6	8
,,	31.	Paid Sundry Trade Exs. out of Petty Cash ..	7	16	6

Value of Timber in Yard, £990.

80. A separate **Wages A/c.** must be opened for Ex. 25. This a/c. is, of course, subsidiary to the P. & L. A/c., and on balancing the books the *total* of the Wages A/c. must be transferred to the Dr. side of the P. & L. A/c., and entered : -- *To Wages A/c.*, £16.

Dr. **Wages A/c.** (Ex. 25.) **Cr.**

1907					1907				
July 16	To Bank ..	8	-	-	July 31	*By Transfer to P. & L. A/c*	16	-	-
,, 30	,, Do. ..	8	-	-					
		£16	-	-			£16	-	-

81. PROPERTY A/CS. are those which record all your transactions in every description of property, such as goods and commodities, mines, buildings, fixtures, furniture, machinery and plant, implements and tools, horses and carts, cattle, ships, stocks and shares, debentures, mortgages, bills of exchange, goodwill, patents, copyright. Like an ordinary goods a/c., on purchasing any of the foregoing you open an a/c. in respect thereof, and debit it with the cost. And on the contrary, when value goes out on the occasion of a sale or a loss, credit the a/c. affected thereby. Should any portion of property remain *unsold* at the time of **balancing,** the value thereof would represent an asset, and would require including in the Balance Sheet. After insertion of *value on hand* (if any) on the Cr. side, any *difference* between the two sides of the a/c. would represent either a loss or a gain, and would accordingly need transferring to P. & L. A/c.

Rent, Interest, Dividends, also any other form of income or revenue arising from any description of property, must be *credited* to the proper subsidiary P. & L. A/c. and *not* to the Property A/c.

The amount paid for ordinary **Repairs, Painting,** and other **Expenses** of either fixed or movable property, being necessary for the *maintenance of its value*, must be *debited* to the proper subsidiary P. & L. A/c. and *not* to the Property A/c.

The cost of permanent **improvements** and **additions,** however, which materially *increase the original value* of

the property, such as the erection of an additional wing to a building, a new roof, the paving of a street, the sinking of a new shaft, a new engine or boiler, a new body for a cart, new office furniture, &c., must be debited to the Property A/c. concerned. Nearly all forms of property, even when kept in good repair, are, however, subject to—

82. DEPRECIATION, which is a periodical deduction in respect of the diminished value of any form of property caused by wear and tear and antiquity. It will be quite clear to you that buildings, fixtures, machinery, tools, utensils, carts, &c., must waste away and become obsolete, therefore it is only right that their value should be shown to have been reduced by an ample deduction or *writing off* from their previous value. There are various methods of estimating Depreciation, and of recording alterations in value, but it may be said in regard to any of them that the object in view is so to treat the **nominal** capital in the books, that it shall always represent as nearly as possible the **real** value. The best plan is to establish *average rates* which can, without much trouble, be *written off* every year. Thus, if you contracted for the laying down of an engine, and a boiler at a cost of £500, and *depreciated* the same at the rate of 7½% annually for 10 years, on the *diminishing value* or balance of the asset, the result would be that, at the end of 10 years, the value would appear in your Ledger at £229. The account below shows the amounts credited in respect of depreciation for the first five years.

Dr. Engine and Boiler A/c. Cr.

1901		£	s.	d.	1901		£	s.	d.		£	s.	d.
Jan. 1	To Cost	500	-	-	Dec. 31	By Depreciation	37	10	-	By Bal.	462	10	-
1902					1902								
Jan. 1	,, Bal.	462	10	-	Dec. 31	,, Do.	34	13	9	,, Do.	427	16	3
1903					1903								
Jan. 1	,, Do.	427	16	3	Dec. 31	,, Do.	32	1	9	,, Do.	395	14	6
1904					1904								
Jan. 1	,, Do.	395	14	6	Dec. 31	,, Do.	29	13	7	,, Do.	366	-	11
1905					1905								
Jan. 1	,, Do.	366	-	11	Dec. 31	,, Do.	27	9	-	,, Do.	338	11	11
1906													
Jan. 1	,, Do.	338	11	11									

The deduction for Depreciation being a loss, may be debited direct to the P. & L. A/c. in Ex. 27, thus ;—

April 30. *P. & L. A/c. (Depreciation) Dr.* £6.
To Office Furniture, &c. £6.

If there be several items of Depreciation then a subsidiary a/c. should be opened, and on **balancing** the books the *total* should be carried to the **Dr.** side of the P. & L. A/c. and entered : *To Depreciation A/c.*, £115.

Dr. **Depreciation A/c.** **Cr.**

1901		£	s.	d.	1901		£	s.	d.
Dec. 31	To Engine & Boiler, 7½%	37	10	-	Dec. 31	*By Transfer to*			
,, ,,	,, Machinery, 10%	50	-	-		*P. & L. A/c*	115	-	-
,, ,,	,, Office Furniture, 7½%	7	10	-					
,, ,,	,, Horses & Carts, 10%	20	-	-					
		£ 115	-	-			£ 115	-	-

The following are the approximate Rates of Depreciation on diminishing values :—

Freehold Dwellinghouses, Warehouses, Factories, and Offices, excluding value of land	1½% to 2½%
Factories subject to rough usage	2½% to 5%
Wood and Iron Buildings	5% to 10%
Fixed Plant	5% to 7½%
Stationary Engines and Boilers	7½% to 10%
Portable Engines and Boilers..	10% to 15%
Contractors' Locomotives	15% to 20%
Machinery	5% to 10%
Furniture and Fixtures..	7½% to 10%
Horses	15% to 25%
Ships	5% to 6%
Trucks and Waggons	7½% to 10%

83. A/CS. OF STOCKS AND SHARES must be kept in the same manner as a Goods A/c., purchases being debited and sales credited. In balancing the a/c. the value of those on hand (which should be the *average market price*) is placed on the credit side like "Value of Goods unsold," and the *difference* between the two sides is carried to the P. & L. A/c. Of course, the balance of stocks or shares unsold is an asset. The Capital and

Revenues A/cs. of an investment are frequently kept together as follows :—

Dr. **Leeds Corporation.** **Cr.**

		Interest. £	s.	d.	Principal. £			Interest. £	s.	d.	Principal. £
1908						1908					
Jan. 1	To 2½% Stock				500						
June 30	,, ½ Year's Div. ....£6 5 -										
	Less Income Tax - 4 2										
		6	-	10		July 2	By Cash	6	-	10	
Dec. 30	,, ½ Year's Div. ....£6 5 -										
	Less Income Tax - 4 2										
		6	-	10		Dec. 31	,, ,,	6	-	10	

84. SHIP A/C. This a/c. is treated in the same way as other property a/cs. An adequate allowance for depreciation, dependent upon whether it is a Liner, a "Tramp" Steamship, or a Sailing Vessel, should be credited. Repairs to the ship would be debited to the P. & L. A/c., but substantial improvements, such as new boiler, engine, propeller, deck, rigging, &c., would increase the value of the ship, and therefore be debited to the Ship A/c.

Dr. **The S.S. "Empress."** **Cr.**

		£	s.	d.			£	s.	d.
1900					1900				
Jan. 1	To Balance b/d. ...	62000	-	-	Dec. 31	By Depreciation 5%	3109	15	-
May 2	,, New Propeller	110	-	-	,, ,,	,, *Balance c/d*	59085	5	-
Sept. 5	,, Cable & Anchor	85	-	-					
		£ 62195	-	-			£ 62195	-	-
1901									
Jan. 1	To Balance .....b/d	59085	5	-					

A separate a/c. would require to be opened for each ship or steamer, as well as for each voyage. The **Voyage A/c.** must be credited with all charges for freight and passengers, and debited with all costs and expenses incurred in connection with the voyage such as fuel, oil, repairs, painting, insurance, loading, dock dues, wages of the crew, &c. You must balance the a/c. on completion of the voyage and take the difference to the general P. & L. A/c.

PRACTICAL BOOK-KEEPING.

85. You cannot have failed to notice in working the preceding exercises, that the majority of the transactions consist of :—

(1) The receipt and payment of cash.

(2) The buying and selling of goods.

While you cannot bestow too much care in obtaining a thorough grasp of the principles of journalising, it is found inconvenient in actual business to journalise every transaction (as in the "*Continental System*") and therefore other Journals are brought into use, which, although greatly diminishing the labour entailed in mere journalising, do not interfere with, or in any degree sacrifice the principle of double entry. By the employment of these subsidiary books, or *Books of Original Entry*, transactions of a similar nature are *collected* together, hence the number of original entries and Ledger postings is materially reduced : and thus we get what is known as the **English System** of Book-keeping.

Some of the books required in practical work are :—

1. Cash Book, for entering Cash received and paid, also for discounts.

2. Purchases or **Bought Book,** for entering Goods bought on credit ; also purchases for **cash,** where creditor's name is given.

3. Sales or **Sold Book,** for entering Goods sold on credit ; also *sales for cash* where debtor's name is given, and particularly sales to regular customers.

4. Journal, for transactions which cannot be entered in any of the above books ; also for adjustments and transfers from one book or a/c. to another.

5. Ledger, for abstracting and classifying the contents of the above four books.

In order to be able to work **Exercise 26,** which is specially designed for illustrating the practical method it will be necessary to carefully read paragraphs 86, 87, 97, 100, 102 only. All the exercises should now be worked practically.

CASH BOOK.

86. Although in none of the foregoing exercises have the transactions in cash exceeded sixteen, they are, however, so much more numerous in real business that it has been found necessary to record them in a book set apart for that purpose.

With one exception the method of entering the Cash Account Book is the same as that employed in entering the Cash A/c. of the Ledger. The exception being that, instead of *posting* the Cash A/c. *from* the Journal, as you have hitherto done, you will now enter the *cash* transactions **direct** into the **Cash A/c. Book,** which therefore becomes a *Book of Original Entry*. You will therefore see that this book is *not* a subsidiary book but part of the principal book, and that it is neither more nor less than a **volume** of the **Ledger** bound up separately for the sake of convenience. The **Dr.** and **Cr.** pages of the Cash Book must always *face each other*.

87. As Cashier, you will enter on the left-hand or **Dr.** side all your receipts of Cash, giving the date; the name of the firm **To** whom you are indebted for what you have received; and the amount. While on the right-hand or **Cr.** side you will enter all your payments of cash, giving the date; the name of the firm **By** whom you are credited for what you have paid; and the amount. The Cr. side is sometimes called *Contra*, which is a Latin word meaning opposite, against, on the other side. As you cannot pay away more *office cash* than you receive, the credit side can never exceed the debtor. In business, while it is not usual to **balance** the Cash Book in ink oftener than once a month, it is well to check the balance each day. This is done by placing the totals on a slip of paper, finding the difference and comparing it with the cash in hand. A **Reconciliation Statement** should be prepared showing the detailed contents of the Cash Box, the total of which should

represent, exactly, the difference between the two sides of the Cash Book, thus :—

Dr. side of Cash Book	£1215	17 -
Cr. side of Cash Book	883	9 6
Balance	£332	7 6

In Cash Box :—

Notes	£215	- -	
Gold.....	98	10 -	
Silver	10	16 6	
P.O.....	7	19 6	
Copper	-	1 6	£332 7 6

88. Posting the Cash Book. In order to comply with the principle of double entry every item debited to cash must be credited to some other a/c. in the Ledger; and every item credited to cash must be debited to some other a/c. in the Ledger; therefore, the items on the **Debit** side of the Cash Book must be *posted* to their respective a/cs. on the opposite side or **Credit side** of the **Ledger**, thus :—*Date*, *By Cash*, *Fol.*, *Amount*; and the items on the **Credit** side of the Cash Book must be *posted* to their a/cs. on the opposite or **Debit side** of the **Ledger**, thus :—*Date*, *To Cash*, *Fol.*, *Amount*.

CASH BOOK for Exercise 26.

Dr. *CASH.* *CONTRA.* **Cr.**

1907	Receipts.		£	s.	d.	1907	Payments.		£	s.	d.
Aug. 1	To Capital.....		1000	-	-	Aug. 8	By Goods		46	15	-
,, 10	,, Goods		31	1	-	,, 11	,, Wages		11	1	-
,, 13	,, Ezra Jones		8	14	-	,, 13	,, James Cecil ...		78	4	-
,, 14	,, Edwin Fox		4	16	-	,, 15	,, Goods		57	5	-
,, 17	,, Goods		43	1	-	,, 16	,, Alfred Scott ...		79	16	-
,, 18	,, Ezra Jones		20	-	-	,, 17	,, James Cecil.....		150	-	-
,, 22	,, Goods		45	11	6	,, 21	,, Goods		65	15	-
,, 29	,, Edwin Fox		9	-	-	,, 23	,, Alfred Scott ...		27	4	-
,, 30	,, Goods		53	13	6	,, 25	,, Wages		9	1	-
						,, 26	,, James Cecil.....		233	14	-
						,, 28	,, Goods		67	1	6
						,, 30	,, Rent		50	-	-
						,, 30	,, Trade Expenses		7	13	-
						,, 30	,, *Balance*.....	c/d	332	7	6
		£	1215	17	-			£	1215	17	-
Sept. 1	To Balance ...	b/d	332	7	6						

89. BANK COLUMNS. As the majority of business men have banking a/cs. and pay most of their creditors by cheques, it is found economical and convenient to record the Bank transactions in the Cash Book. This is an excellent arrangement, particularly when you remember that what the banker does is simply to conduct some of your cash transactions; therefore it is only proper that the records of *all* cash transactions, whether conducted by yourself or your Banker, should be made in the same book.

If you will substitute the word "Bank" for the word "Cash" in par. 86 you will find that it is applicable to Bank transactions.

90. All **payments by cheque** must be entered on the **Cr. side** of the Cash Book, in the **Bank Column,** because the bank pays the money on presentation of the cheque. If you draw a cheque for the purpose of obtaining Cash for the office as in Ex. 21, "March 20, Drew Cheque for Cash, £15," such a transaction will require *two entries*. In the first place it is a *payment by the Bank* of £15, therefore enter on the **Cr.** side in the **Bank** Column—*By Office*, £15; and in the second place the *Cash-box receives* £15, therefore enter on the **Dr.** side in the **Office** Cash column—*To Bank*, £15.

Not only does a payment *by* the Bank to Office need entering twice in the Cash Book, but also a payment *to* the Bank by Office. "March 2. Paid into Bank, £390." This requires recording on the **Cr.** side in the **Office** column—*By Bank*, £390, and on the **Dr.** side in the **Bank** column—*To Office* £390. The reason why such transactions require entering twice is, of course, in order to carry out the principle of double entry, which in these particular transactions is *completed* in the Cash Book, no posting of these items being necessary.

The imaginary difficulty arising from making both entries in the Cash Book soon vanishes if you will but mentally journalise the transactions thus:—*Cash Dr. To Bank* £15 and *Bank Dr. To Cash* £390. By adopting this suggestion you perceive at once upon which side and in which column the entry must be made.

91. Cheques received by you will be placed in the *Cash-box*, and being **Cash** receipts must be entered in the **Dr. Office** column. If a *single* Cheque be paid into **Bank** the **same day** as received, then enter it in the **Bank** column only.

92. BALANCING BANK COLUMNS. The debit Bank column should be an exact copy of one side of the Bank Pass Book, and the credit Bank column should be an exact copy of the Cheque side of the Bank Pass Book. An unpresented or dishonoured cheque would, of course, cause a disagreement between the balance of the two books, as also would Bank Charges or Interest. In the case of the Bank debiting you with **Bank Charges** you must enter the amount in the **Cr.** Bank column of the Cash Book—*By Bank Charges*. On the Bank allowing or crediting you with **Interest,** the entry would be *To Interest* in the **Dr.** Bank Column.

93. Your Bank Pass Book should always either agree or be made to agree with your Cash Book. If the balances of the two books should disagree a **Reconciliation Statement** should then be made out as follows :

Mar. 31	"Pass Book" Balance			£277 6 -
	Less cheques not presented :—			
,, 30	A. Day—Rent	£10 - -		
,, 30	Leeds Gas Co.	8 7 -	18 7 -	
			258 19 -	
	Plus cheques paid in, but not yet credited		(nil.)	
	Agreeing with your Cash Book			£258 19 -

94. POSTING Bank Columns. The posting of the items in the Bank columns is similar to the posting of the items in the office columns, except that you must enter *To* or *By Bank* instead of *Cash*.

As the Cash and Bank columns take the place of those a/cs. in the General Ledger the equalising items between Bank and Office do *not* need to be posted, but should be **ticked** or marked "*Con.*" (for Contra) in the Led. Fol. column, so as to facilitate the posting of the remaining entries.

CASH BOOK for Exercise 21.

Dr. *CASH.* *CONTRA.* **Cr.**

Date.	Ledger Accounts	Led. Fol.	Cash **Received.** At **Office.** £	s.	d.	At **Bank.** £	s.	d.
1907	**Receipts.**							
Mar. 1	To *Balance*	b/f	401	19	2			
,, 2	,, *Office*	—				390	-	-
,, 9	,, Edwin Hart.		28	-	-			
,, 13	,, Goods.....		5	-	-			
,, 16	,, Henry Hoole		5	14	-			
,, 17	,, *Office*	—				10	14	-
,, 20	,, *Bank*	—	15	-	-			
,, 28	,, Thomas Gee		45	-	-			
,, 31	,, Goods.....		90	6	8			
		£	590	19	10	400	14	-
April 1	To Balance	b/d	154	10	6	258	19	-

Date.	Ledger Accounts.	Led. Fol.	**Payments** made. In (Cash) **Office.** £	s.	d.	By (Cheque) **Bank.** £	s.	d.
1907	**Payments.**							
Mar. 2	By *Bank*	—	390	-	-			
,, 4	,, Cheque Book			8	4			
,, 6	,, Cassell & Co.					39	12	-
,, 12	,, Goods		3	7	-			
,, 13	,, Wages		4	-	-			
,, 15	,, George Allen		28	-	-			
,, 17	,, *Bank*	—	10	14	-			
,, 18	,, Cassell & Co.					45	-	-
,, ,,	,, Thomas Gee.					15	-	-
,, 20	,, *Office*.....	—				15	-	-
,, 26	,, Field & Co..					8	16	-
,, 30	,, Rent					10	-	-
,, ,,	,, Gas					8	7	-
,, 31	,, *Balance*	c/d	154	10	6	258	19	-
		£	590	19	10	400	14	-

95. DISCOUNT COLUMNS. The receipt and payment of Cash is so frequently accompanied with the allowance of discount that it has been found advantageous to keep the Discount A/c. in that *section* of the Ledger known as the Cash Book, so that the allowance for **discount** may be entered at the *same time;* on the *same side* of the book, and on the *same line* as the cash entry, but in a **different column.**

The *totals* of the Discount columns, as shown on page 86, must be carried to the Discount A/c. in the Ledger and balanced as shown in par. 73. In large concerns separate a/cs. are kept in the impersonal ledger for "Discounts Received" and "Discounts Allowed."

Each item of discount must be added to and posted along with its accompanying cash item to the proper Ledger a/c. and entered thus: *To* or *By Cash & Dis.* In business the amounts of Cash and Discount are sometimes posted on separate lines.

95a. When a composition or dividend of so much in the £ is received in discharge of a debt, *only* the amount *actually* received must be entered in the Cash Book, and the remainder being a **Bad Debt,** must be recorded in the Journal, thus:—

June 4. *Bad Debts A/c*.....*Dr.* £35.
To Charles Bond £35

96. From the following illustration you will see that the Cash Book may include three Ledger A/cs.—Cash, Bank, Discount, all these three classes of transactions being entered direct into the Cash Book, thereby effecting a great saving of time and labour.

In some business establishments another narrow column is ruled by the side of the date columns, the one on the **Dr.** side being used for inserting the **number** of the counterfoil of the **receipt** given for the money; and the one on the **Cr.** side being used for inserting the **number** of the **voucher** received in acknowledgment of the payment. Payments to the principals or partners should be initialled by them in the voucher column.

Columnar CASH BOOK for Exercise 23.

Dr. *CASH.* *CONTRA.* **Cr.**

Date	Receipt No.	Ledger Accounts.	Ledger Fol.	Discount	Cash Received. At Office	Cash Received. At Bank	Date.	Voucher No.	Ledger Accounts.	Ledger Fol.	Discount	Payments made. In (Cash) Office	Payments made. By (Cheque) Bank
1907		**Receipts.**		£ s. d.	£ s. d.	£ s. d.	1907		**Payments.**		£ s. d.	£ s. d.	£ s. d.
May 1		To *Balance*	b/f		39 10 -	332 8 -	May 5		By *Bank*	—		70 - -	
,, 5		,, Goods.....			37 7 6		,, 11		,, *Office*	—			10 - -
,, ,,		,, *Office*	—			70 - -	,, 12		,, Goods				67 10 -
,, 10	1	,, Arthur Carr		16 -	30 - -		,, 14	1	,, Stationery ...			4 16 -	
,, 11		,, *Bank*	—		10 - -		,, 15	2	,, Penn & Co....		5 - -		100 - -
,, 12	2	,, Thos. Aller				50 - -	,, 30	3	,, Rent..... ...				20 - -
,, 15	3	,, Walter Fell			40 - -		,, ,,		,, *Bank*	—		75 - -	
,, 20		,, Goods.....			36 12 6		,, 31		,, Trade Expns			7 17 6	
,, 29	4	,, Walter Fell		5 -	8 - -		,, ,,		,, Wages.....			4 10 -	
,, 30		,, *Office*	—			75 - -	,, ,,		,, *Balance*	c/d		39 6 6	329 18 -
				£1 1 -	£201 10 -	£527 8 -					£5 - -	£201 10 -	£527 8 -
June 1		To Balance	b/d		39 6 6	329 18 -							

PURCHASES DAY BOOK.

97. This subsidiary book or *Book of Original Entry*, is sometimes called the **Bought Book,** or **Invoice Book,** from the fact that into it are *daily* copied (after having been checked and initialled) the invoices which you receive in respect of the **goods bought on credit,** as well as **for cash** where the creditor's name is given. It must record the date of each purchase; the name of the seller; and the quantity, name, class, price, and cost of the goods. A second method is to merely copy the *date*, *name*, and *amount* (entirely omitting all the details), and after numbering the invoice to place it on a **file** for future reference, which is an excellent method.

It is found useful for purposes of reference to insert the **number** of the **invoice** in a special column ruled by the side of the Led. Fol. Col.

In some business houses, however, instead of using a Purchases Book or file, they prefer to use a **Guard Book.** This is a large Scrap Book made of cartridge paper and folioed, into which all the invoices received are folded, endorsed, and pasted. Money columns run down the right-hand side of each page, into which are extended the totals of the various invoices, thus :—

Folded Invoice endorsed.

2 August, 1907 James Cecil.....	1	£78	4	-

98. POSTING. All the persons named in your Purchases Book being your **creditors,** you will therefore post the amounts to the **Credit side** of their personal a/cs. in the Ledger, and enter the *Date*, *By Goods*, *Fol.*, *Amount*. As the **total** of the Purchases Book represents Goods coming **in** or purchases, it must be posted to the **debit side** of the **Goods A/c.** by entering the *Date*, *To Sundries*, *P.B.*, *Fol.*, *Amount*.

PURCHASES BOOK for Exercise 26.

1907			Led Fol.	£	s.	d.	£	s.	d.
Aug.	2	**James Cecil.**							
		720 yards Cotton @ 1/1		39	-	-			
		672 ,, Zanella @ 1/2		39	4	-	78	4	-
,,	4	**Alfred Scott.**							
		336 yards Satin @ 4/9					79	16	-
,,	9	**James Cecil.**							
		1000 yards Tapestry @ 3/-					150	-	-
,,	17	**James Cecil.**							
		1290 yards Shirting @ 2/6		161	5	-			
		138 ,, Cretonne @ 10/6		72	9	-	233	14	-
,,	19	**Alfred Scott.**							
		384 yards Diaper @ 1/5					27	4	-
,,	27	**Alfred Scott.**							
		168 yards Worsted @ 7/-		58	16	-			
		84 ,, Satin @ 10/-		42	-	-	100	16	-
		Goods A/c. .. ..Dr.				£	669	14	-

99. You will observe that by entering all the credit purchases in a special book, as above, instead of journalising such transactions, a great saving of labour is effected. Had the above six transactions been journalised, six postings to the Goods A/c. in the Ledger would have been necessary, but the **total** only of a Purchases Book needs posting to the Goods A/c., as below :—

Dr. GOODS A/C., Exercise 26. Cr.

1907			£	s.	d.	1907			£	s.	d.
Aug. 8	To Cash		46	15	-	Aug. 10	By Cash		81	1	-
,, 15	,, Do.		57	5	-	,, 17	,, Do.		43	1	-
,, 21	,, Do.		65	15	-	,, 22	,, Do.		45	11	6
,, 28	,, Do.		67	1	6	,, 30	,, Do.		53	13	6
,, 31	,, S'ndries P.B.		669	14	-	,, 31	,, S'ndries S.B.		56	-	-
,, ,,	,, *Gross Profit*		104	6	6	,, ,,	,, *Bal. (stock)*...	c/d	781	10	-
		£	1010	17	-			£	1010	17	-
Sept. 1	To Balance	b/d	781	10	-						

SALES DAY BOOK.

100. This subsidiary book or *Book of Original Entry* is called the **Day Book,** because in it is *daily* recorded particulars of **goods sold on credit,** as well as for **cash** where the debtor's name is given. It must specify the date of sale, the name and address of the buyer, and the quantity, name, class, price, and cost of the goods. Sometimes the method of delivery and any special terms agreed upon are also stated, thus :—*Per L. & Y. Ry. ; Carr. pd.* 2½% *one month.* These particulars are obtained from the *Order Book*, into which they were entered on receipt of the order. While the rulings of the **Order Book** vary, of course, with the character of the business, the principal columns are :— (1) Date received (2) Name and Address (3) Description of Goods ordered (4) Price (5) Date sent (6) Description of Goods sent (7) Sales Book Folio.

In some establishments each order is entered upon a separate **printed form,** and after execution these **sheets** are bound into a file which constitutes the Sales Day Book, as well as the Order Book, thus effecting a great economy.

The *combinations* permitted in *journalising*, as shown in par. 69, are not adopted in practical work, each transaction being entered separately.

When the details of a sale have been entered in the Sales Book and checked, the **invoice** should be made out therefrom and forwarded to the purchaser. It is customary in some offices to write invoices in copying ink and retain a copy in the press-copy **Invoice Book,** the number of the page being entered in the S.B

101. POSTING. As all the persons named in the Sales Book are your **debtors,** you must therefore post the amounts to the **Debit side** of their respective personal a/cs. in the Ledger and enter the *Date*, *To Goods*, *Fol.*, *Amount.*

Seeing that the Sales Book contains particulars of Goods going **Out** or sold, you will post the **total** thereof to the **Credit side** of the **Goods A/c.** by entering the *Date, By Sundries, S.B., Fol., Amount.*

SALES BOOK for Exercise 26.

1907			Led. Fol.	£	s.	d.	£	s.	d.
Aug.	3	**Ezra Jones.**							
		80 yards Zanella @ 1/6		6	-	-			
		36 „ Cotton @ 1/6		2	14	-	8	14	-
„	6	**Edwin Fox.**							
		48 yards Zanella @ 2/-					4	16	-
„	12	**Ezra Jones.**							
		100 yds. Tapestry @ 4/-					20	-	-
„	13	**Edwin Fox.**							
		20 yds. Tapestry @ 3/6		3	10	-			
		20 „ Zanella @ 2/-		2	-	-	5	10	-
„	20	**Edwin Fox.**							
		20 yds. Tapestry @ 3/6					3	10	-
„	29	**Ezra Jones.**							
		80 yards Cotton @ 1/6		6	-	-			
		20 „ Worsted @ 7/6		7	10	-	13	10	-
		Goods A/c. ..... Cr.					£56	-	-

PURCHASES BOOK and SALES BOOK.

102. The following remarks and suggestions are equally applicable to both these books, in which entries should be made relating only to the goods in which the trader *deals*. The occasional purchase or sale of any other asset, such as plant and machinery, fixtures, furniture, &c., should be passed through the Journal. (*See par. 103.*) **Cash purchases** or **sales** should always be passed through these books where the name of the buyer or seller is given, in addition to the receipt or payment of the cash being recorded in the Cash Book.

1. The pages are folioed and vertically divided into **five** sections, the first being for the Date, the

second for the Name of the Person and the details of the transaction, the third section being for the Ledger Folio on posting, the fourth section being the inner money column for the details, and the fifth section being the outer money columns for totals.

2. When a purchase or sale consists of **one item** only, the **amount** should be placed in the **outer** or extended **column.** When more than **one item,** the **separate sums** must be entered in the **first** or **detail** column, and the **total** only carried into the extended column, on the same line as the last item. **Trade discount** should always be deducted, the net amount only appearing in the outer column.

3. Each different **date** must be written in the date column, being followed by the name of the person, and beneath that the particulars of the goods.

4. The **name** of the **person** must be **boldly** written, commencing close to the left hand margin line, while the particulars of the goods should commence a little to the right of that line. This produces a good style of work. Carefully study the example given on pages 88, 90, 92, 93.

5. A **thin red line** should be ruled between each transaction, across the page from the left-hand margin line, through the inner money column, but no further. Such lines keep each transaction distinct, besides giving a finish to your work.

103. DEPARTMENTAL COLUMNS. Merchants who deal largely in a variety of goods require to know the result of their transactions in each article. It is therefore necessary for them to keep a number of *specific* Goods A/cs. Both the Purchases Book and the Sales Book can, with great advantage, be adapted to the classification of goods, either by dissecting and summarising the various items at given periods, or by the more preferable **Tabular** or **Columnar method** of ruling additional money columns and classifying the items daily. (See pages 92 and 93.)

A Purchases Book may be ruled with columns to accommodate *all* the purchases of the business, including materials used in manufacturing, such as Oil, Soap, Fuel, Dyewares, Sundries, also Plant and Machinery, &c.

The two methods in a Sales Book would appear as on this and the next page :—

SALES BOOK summarised.

1907		Led. Fol.	£	s.	d.	£	s.	d.
Sept. 1	**Fred Long.**							
	5 Tons Manvers @ 12/-					3	-	-
,, 5	**George Kaye.**							
	10,000 Bricks @ 20/-		10	-	-			
	3 Tons Lime @ 21/-		3	3	-	13	3	-
,, 9	**Clay & Co.**							
	5,000 Bricks @ 21/-		5	5	-			
	2 Tons Nuts @ 9/-		-	18	-	6	3	-
,, 15	**Sykes Bros.**							
	50,000 Bricks @ 20/-		50	-	-			
	10 Tons Lime @ 21/-		10	10	-	60	10	-
,, 18	**Fred Long.**							
	4 Tons Engine @ 8/-		1	12	-			
	2 ,, Manvers @ 12/-		1	4	-	2	16	-
,, 23	**Shaw & Son.**							
	8 Tons Lime @ 21/-					8	8	-
,, 30	**Taylor & Fry.**							
	20,000 Bricks @ 20/-		20	-	-			
	20 Tons Engine @ 8/-		8	-	-			
	5 ,, Lime @ 21/-		5	5	-	33	5	-
	Total.....					£127	5	-

Summary :—**Bricks A/c.....Cr.** £85 5 -
Coal A/c.....Cr. 14 14 -
Lime A/c.....Cr. 27 6 -

£127 5 -

TABULAR or Classified SALES BOOK.

1907			Led Fol.	Total. £	s.	d.	Bricks. £	s.	d.	Coal. £	s.	d.	Lime. £	s.	d.
Sep.	1	**Fred Long.**													
		5 tons Manvers @ 12/-		3	-	-				3	-	-			
,,	5	**George Kaye.**													
		10,000 Bricks @ 20/-		10	-	-	10	-	-						
		5 tons Lime @ 21/-		3	3	-							3	3	-
,,	9	**Clay & Co.**													
		5,000 Bricks @ 21/-		5	5	-	5	5	-						
		2 tons Nuts @ 9/-		-	18	-				-	18	-			
,,	15	**Sykes Bros.**													
		50,000 Bricks @ 20/-		50	-	-	50	-	-						
		10 tons Lime @ 21/-		10	10	-							10	10	-
,,	18	**Fred Long.**													
		4 tons Engine @ 8/-		1	12	-									
		2 ,, Manvers @ 12/-		1	4	-				2	16	-			
,,	23	**Shaw & Son.**													
		8 tons Lime @ 21/-		8	8	-							8	8	-
,,	30	**Taylor & Fry.**													
		20,000 Bricks @ 20/-		20	-	-	20	-	-						
		20 tons Engine @ 8/-		8	-	-				8	-	-			
		5 ,, Lime @ 21/-		5	5	-							5	5	-
			£	127	5	-									
		Bricks A/c. Cr.					£ 85	5	-						
		Coal A/c. Cr.							£	14	14	-			
		Lime A/c. Cr.										£	27	6	-

POSTING. The above form of a Purchases or Sales Book requires posting in precisely the same manner as directed in pars. 98 and 101. Of course, **separate A/cs.** must be opened in the Ledger for each article dealt in, so that the profit or the loss may be found thereon; and after the insertion of the Stock on the Cr. side, the difference, *in each account*, being either a gross profit or a gross loss, must be transferred to the Trading or Profit and Loss A/c. The **totals** of the above columns may all be placed on the same level, and the Ledger **folio** placed immediately **underneath** the totals.

JOURNAL.

104. In practical work the Journal is only used for recording such transactions as do not come within the scope of the other books, such as Interest, Bad Debts, Depreciation, Reserves, Dishonoured Bills, Adjustments, the purchase or sale of plant, furniture, &c.; and for recording opening and closing entries; although some business houses also prefer to journalise the totals of the subsidiary books.

The **total** of a Purchases Book would be journalised thus:—*Goods A/c.* .....*Dr.* £570 5 -

To Sundries .....£570 5 -

and the **total** of a Sales Book thus:—

Sundries .....*Dr.* £472 10 -

To Goods A/c.....£472 10 -

Of course, "Sundries" does not need posting, as each separate item has been previously posted to its personal a/c. from the Bought or Sales Book.

105. OPENING ENTRIES consist of those items which form the B/S. or Statement of Affairs at the commencement of a business or a given period thereof. In Ex. 24 it will be seen that the opening entries consist of twelve items, totalling to £2418 15 -, as shown in the example on the next page. Should the opening entries consist of Cash or Bank merely, then they would only require entering as *Capital* in the Cash Book and *not* in the Journal at all.

106. CLOSING ENTRIES are those which are made on balancing the books and consist of:—

(**a**) The *differences* of the subsidiary P. & L. A/cs. which are *transferred* to the general P. & L. A/c., or to the Trading A/c.

(**b**) The *differences* of gains or losses of the various Property and Goods A/cs. which are *transferred* to the Trading or P. & L. A/c.

(**c**) The *net difference* of the P. & L. A/c. which is *transferred* to the Current or Capital A/c.

(**d**) The *net difference* of a Current or Drawing A/c. which is *transferred* to the Capital A/c. affected.

Example of Opening, Intermediate and Closing entries.

JOURNAL for Exercise 24. Page 68. (Practical).

1907		Led Fol.	Dr. £	s.	d.	Cr. £	s.	d.
June 1	Bank .....Dr.		1237	10	-			
	Cash ..... ,,		53	10	-			
	Goods ..... ,,		755	-	-			
	Alfred Wells ..... ,,		123	15	-			
	Stocks & Co. ..... ,,		79	-	-			
	Charles Bond..... ,,		70	-	-			
	Henry Bell ..... ,,		100	-	-			
	To William Smith					135	-	
	,, Walter Rudd					165	-	-
	,, Martin Kidd					209	-	-
	,, John Ball					59	15	-
	,, Capital A/c. (A. Pupil).....					1850	-	-
	(Total of opening Entries.)		£2418	15	-	£2418	15	-
,, 4	Bad Debts A/c. .....Dr.		35	-	-			
	To Charles Bond					35	-	-
,, 27	Bad Debts A/c. .....Dr.		60	-	-			
	To Stocks & Co.					60	-	-
,, 30	Trade Expenses .....Dr.		4	7	10			
	To Petty Cash					4	7	10
,, ,,	Carriage .....Dr.		23	4	5			
	To Midland Ry. Co.....					23	4	5
,, ,,	Interest A/c. .....Dr		7	14	-			
	To Capital A/c.					7	14	-
	Total of Journal.....		£2549	1	3	£2549	1	3
	Closing Entries as follows :—							
,, ,,	P. & L. A/c.....Dr.		4	9	-			
	To Interest A/c.					4	9	-
,, ,,	P. & L. A/c .....Dr.		86	8	10			
	To Trade Expenses A/c.....					86	8	10
, ,,	P. & L. A/c. .....Dr.		95	-	-			
	To Bad Debts A/c.					95	-	-
,, ,,	Goods A/c. .. ..Dr.		352	15	-			
	To P. & L. A/c.					352	15	-
,, ,,	P. & L. A/c.....Dr.		41	14	5			
	To Carriage A/c.					41	14	5
,, ,,	Discount A/c.....Dr		1	3	-			
	To P. & L. A/c.					1	3	-
,, ,	P. & L. A/c.....Dr.		126	5	9			
	To Capital A/c.					126	5	9
			£3256	17	3	£3256	17	3

Practical Exercise 26.

From the following transactions compile a Purchases, Sales, and Cash Book, after having studied pars. 86, 87, 97, 100, 102.

1907.		£ s. d.	£ s. d.
Aug. 1.	Cash in hand		1000 - -
,, 2.	Purchased from James Cecil :—		
	720 yds. Cotton @ 1/1	39 - -	
	672 ,, Zanella @ 1/2	39 4 -	78 4 -
,, 3.	Sold to Ezra Jones :—		
	80 yds. Zanella @ 1/6	6 - -	
	36 ,, Cotton @ 1/6	2 14 -	8 14 -
,, 4.	Received from Alf. Scott, 336 yds. Satin @ 4/9		79 16 -
,, 6.	Sent to Edwin Fox, 48 yds. Zanella @ 2/-		4 16 -
,, 8.	Paid Cash for Goods		46 15 -
,, 9.	Bought of James Cecil, 1000 yds. Tapestry @ 3/-		150 - -
,, 10.	Received Cash for Goods Sold		31 1 -
,, 11.	Paid Wages in Cash		11 1 -
,, 12.	Sent to Ezra Jones, 100 yds. Tapestry @ 4/-		20 - -
,, 13.	Paid James Cecil		78 4 -
,, 13.	Received from Ezra Jones		8 14 -
,, 13.	Sold to Edwin Fox :—		
	20 yds. Tapestry @ 3/6	£3 10 -	
	20 ,, Zanella @ 2/-	2 - -	5 10 -
,, 14.	Received from Edwin Fox		4 16 -
,, 15.	Bought for Cash, Goods		57 5 -
,, 16.	Paid Alfred Scott		79 16 -
,, 17.	Paid James Cecil		150 - -
,, 17.	Goods Sold for Cash		43 1 -
,, 17.	Bought of James Cecil :—		
	1290 yds. Shirting @ 2/6	£161 5 -	
	138 ,, Cretonne @ 10/6	72 9 -	233 14 -
,, 18.	Ezra Jones paid me		20 - -
,, 19.	Purchased from Alf Scott, 384 yds. Diaper @ 1/5		27 4 -
,, 20.	Sold Edwin Fox, 20 yds. Tapestry @ 3/6		3 10 -
,, 21.	Paid Cash for Goods		65 15 -
,, 22.	Cash Sales		45 11 6
,, 23.	Paid Alfred Scott		27 4 -
,, 25.	Paid Wages		9 1 -
,, 26.	Handed James Cecil, Cash		233 14 -
,, 27.	Bought of Alfred Scott :—		
	168 yds. Worsted @ 7/-	£58 16 -	
	84 ,, Satin @ 10/-	42 - -	100 16 -
,, 28.	Bought Goods for Cash		67 1 6
,, 29.	Sold to Ezra Jones :—		
	80 yds. Cotton @ 1/6	£6 - -	
	20 ,, Worsted @ 7/6	7 10 -	13 10 -
,, 29,	Received Cash from Edwin Fox		9 - -
,, 30	Sold Goods for Cash		53 13 6
,, 30.	Paid Rent		50 - -
	,, Trade Expenses (Sundries)		7 13 -
	Stock of Goods £781 10 -		

107. After posting the above in accordance with pars. 88, 98, 101, prepare a **Trial Balance**, in which do not forget to include the **totals** of **Cash Book**, minus the balance. When the Cash A/c. was in the ordinary Ledger you always included the totals in the T B., and although this a/c. is now in a separate book the totals must still be included in the T.B., in which *all accounts*, wherever they may be kept, should appear. In preparing the B/S. don't forget to include the Cash in hand. The following shows both forms of a Trial Balance :—

(1) *Total postings* to the ledger; not used in business.
(2) *Differences* of the postings; business method.

Trial Balance for Exercise 26.

Ledger A/cs.	(1) Totals.						(2) Balances.					
	Dr.			Cr.			Dr.			Cr.		
	£	s.	d.	£	s.	d	£	s	d.	£	s.	d.
Cash	1215	17	-	883	9	6	332	7	6			
Capital				1000	-	-				1000	-	-
Goods	906	10	6	229	7	-	677	3	6			
Trade Expenses	77	15	-				77	15	-			
James Cecil	461	18	-	461	18	-						
Alfred Scott....	107	-	-	207	16	-				100	16	-
Ezra Jones	42	4	-	28	14	-	13	10	-			
Edwin Fox	13	16	-	13	16	-						
Totals agree..	£2825	-	6	£2825	-	6	£1100	16	-	£1100	16	-

The six Exercises, 20 to 25 which you have previously worked theoretically, you will now work practically, in accordance with the instructions given in each case, as follows :—

Practical Exercise 20. (Page 44.)

Purchases Book contains 4 entries. Total £34 16 -
Sales Book contains 4 entries. Total £32 11 -
Cash Book has 5 Dr. and 7 Cr. entries. Balance £401 19 2
Journal contains the opening entries only, £568.
Post the Journal first. The Cash £283 13 8 in the Journal does *not* need posting as it is already in the Cash Book. The Capital £283 13 8 in the Cash Book does not need posting as it is included in the £543 in the Journal.
Trial Balance: totals £834 4 10; balances £577 16 -

Work Supplementary Exercises 20a. and 20b. now.

Practical Exercise 21. (Page 61.)

Journal contains opening entries only £610 6 2.
Purchases Book contains 5 entries. Total 113 2 -
Sales Book contains 5 entries. Total £92 17 -
Cash Book (2 columns). See pars. 89 to 94 and key on page 84.
Post the Journal first, except the Cash £401 19 2, which is already in the Cash Book. The Capital £401 19 2 in the Cash Book does not need posting as it is included in the £575 10 2 in the Journal.

Trial Balance for Exercise 21.

	Dr. Totals.			Cr. Totals.			Dr. Balances.			Cr. Balances.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Cash	590	19	10	436	9	4	154	10	6			
Bank	400	14	-	141	15	-	258	19	-			
Capital				575	10	2				575	10	2
Goods	291	9	-	188	3	8	103	5	4			
Trade Expenses	22	15	4				22	15	4			
Field & Co.	8	16	-	25	16	-				17	-	-
George Allen	28	-	-	27	10	-	-	10	-			
Cassell & Co.	84	12	-	94	12	-				10	-	-
Thomas Gee	45	-	-	45	-	-						
Henry Hoole	5	14	-	5	14	-						
George Grace	29	-	-				29	-	-			
Edwin Hart	61	10	-	28	-	-	33	10	-			
£	1568	10	2	£1568	10	2	£602	10	2	£602	10	2

In preparing the B/S. don't forget to include in the assets the balances of "Cash" and "Bank."

Practical Exercise 22. (Page 62.)

The only opening entry being Cash *no* Journal is required.
Purchases Book contains 6 entries. Total £748 17 6.
Sales Book contains 3 entries. Total 143 10 8.
Cash Book has 9 Dr. and 10 Cr. entries. Balances:—Office £67 0 6, Bank £2270 5 -
Trial Balance: totals £5784 3 8; balances £2642 17 6.

Practical Exercise 23. (Page 65.)

Journal for opening entries and last transaction in the Exercise.
Purchases Book contains one item only, £56 16 -
Sales Book contains 4 items. Total £149 8 -
Cash Book (3 columns). See pars. 95, 96, and key on page 86.
Post Journal first, except first 2 items, which are already in the Cash Book. The first Dr. line in the Cash Book, showing the balances brought forward, does not need posting.

Trial Balance for Exercise 23.

	Dr. Totals.			Cr. Totals.			Dr. Balances.			Cr. Balances.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Cash	201	10	-	162	3	6	39	6	6			
Bank	527	8	-	197	10	-	329	18	-			
Capital				702	15	-				702	15	-
Goods	474	16	-	223	8	-	251	8	-			
Interest	2	15	-				2	15	-			
Discount	1	1	-	5	-	-				3	19	-
Trade Expenses	37	3	6				37	3	6			
Penn & Co.	105	-	-	114	14	-				9	14	-
Arthur Carr	55	11	-	30	16	-	24	15	-			
Thomas Aller	81	2	-	50	-	-	31	2	-			
Walter Fell	48	5	-	48	5	-						
£	1534	11	6	£1534	11	6	£716	8	-	£716	8	-

Practical Exercise 24. (Page 68.)

Journal. See key page 95. Total £2549 1 3.
Purchases Book contains 2 entries. Total £570 5 -.
Sales Book contains 5 entries. Total £597 10 -.
Cash Book has 15 Dr. and 14 Cr. entries. Balances :—Office £425 9 - Bank £963 13 - Dis. Totals Dr. £3 15 Cr. £4 18
Trial Balance : totals £6364 17 3 ; balances £2476 1 5.

Practical Exercise 25. (Page 73.)

Journal. No opening entries ; but the items shown in par. 79 must appear, and 3 additional transactions. Total £1578 3 2.
Purchases Book contains 2 entries. Total £314 10 -
Sales Book contains 7 entries. Total £402 10 9.

Cash Book has 16 Dr. and 18 Cr. entries. Dr. Balances :—Office £38 17 9. Bank £548 3 7. Discount Totals Dr. £12 9 9. Cr. £8 10 - The £1500 paid for the business of J. Exley must be entered in the office column of the Cash Book, thus :—"*By John Exley*, £1500."
Trial Balance : totals £7227 3 - ; balances £2040.

Practical Exercise 27.

This exercise, as well as the next, is adapted from Elementary **Examination** papers set by the **W.R.C.C.**

Compile *tabular* Bought, Sold and Cash Books ; also Journal. Post and complete Ex. (see par. 103). Separate A/cs. will, of course, be needed for Tea, Sugar, and Coffee.

On April 1st, 1907, the Books of John Alvey (myself) showed the following Dr. Balances :—Cash at Bank, £960 ; at Office, £48 10s. ; Tea, £400 ; Sugar, £150 ; Coffee, 150. Walter Bell, £50 ; John Taylor, £45 ; Office Furniture and Fittings, £80.

		£	s.	d.
April 1.	Bot. of J. Gray, Tea, £20; Sugar, £40; Coffee, £24	84	-	-
,, 2.	Purchased of Wm. Wilson, Tea, £80, Coffee, £45	125	-	-
,, 3.	Received from John Taylor on A/c.	20	-	-
,, 3.	Paid into Bank (90)	60	-	-
,, 3.	Sold to Thos. Mason : Tea, £40 ; Sugar £56.	96	-	-
,, 5.	Bot. of James Gray : Tea, £20; Sugar, £27 ..	47	-	-
,, 6.	Sold Chas. Jones : Sugar, £27 ; Tea, £20	47	-	-
,, 7.	Cash Sales, Tea, £15; Sugar, £19; Coffee, £12	46	-	-
,, 8.	Sold to Thomas Mason on Credit : Tea, £80; Sugar, £20; Coffee, £20	120	-	-
,, 8.	Paid Cash for Repairs	6	5	-
,, 8.	Paid Fire Insurance Premium	1	-	-
,, 9.	Paid Cheque to James Gray, £80; Dis. £4....	84	-	-
,, 10.	Recd. from T. Mason : Cash, £90; Dis. £7 ..	97	-	-
,, 12.	Paid Cash to James Gray	50	-	-
,, 12.	Paid into Bank (90)	80	-	-
,, 14.	Bot. of J. Gray, Tea, £40; Sugar, £26; Coffee, £35	101	-	-
,, 14.	Sold for Cash, Tea, £10; Sugar, £12; Coffee, £8	30	-	-
,, 15.	Recd. Cheque of Charles Jones, £41; Dis. £6.	47	-	-
,, 15.	Deposited in Bank (90)	70	-	-
,, 16.	Bought of William Wilson : Tea, £80; Sugar, £20; Coffee, £40	140	-	-
,, 16.	Paid him on A/c. by Cheque, £95; Dis. £5 ..	100	-	-
,, 17.	Withdrew from Bank (90)	20	-	-
,, 17.	Pd. Cash for Office Files and Copying Press (81)	12	10	-
,, 19.	Recd. of John Taylor, Cheque in settlement ..	25	-	-
,, 19.	Paid same into Bank	25	-	-
,, 20.	Sold to Charles Jones : Tea, £100; Coffee, £20	120	-	-
,, 21.	Cash Recd. for Tea, £19; Sugar, £23; Coffee, £10	52	-	-
,, 22.	Recd. of C. Jones, Cheque, £110; Dis. £10 ..	120	-	-
,, 22.	Paid into Bank	140	-	-
,, 24.	Sold T. Mason : Tea, £35; Sugar, £27; Coffee, £12	74	-	-
,, 26.	W. Bell pays me a first and final dividend of 13/4 in the £ (95a)			
,, 27.	Tea of the value of £50 destroyed by fire. Value of Insurance (*Royal Insurance Co. Dr.* £25, *P. & L. A/c. Dr.* £25, *To Tea*, £50)	25	-	-
,, 27.	Paid into Bank	40	-	-
,, 28.	Cash Sales : Tea, £11; Sugar, £9	20	-	-
,, 29.	Recd. Cheque from Royal Insurance Co.	25	-	-
,, 29.	Paid into Bank	50	-	-
,, 30.	Drew for private exs. by cheque (78).	10	-	-
,, 30.	Paid Sundry Expenses in Cash	16	-	-
,, 30.	Paid Wages by Cheque	11	-	-
,, 30.	Rent *due* to James Shaw (*Rent Dr. to J. Shaw*)	4	10	-
,, 30.	Depreciation of Office Furniture, etc. (82)	6	-	-
,, 30.	Charge Interest on Capital (71) .... *Stock of Tea*, £380; *Sugar*, £100; *Coffee*, £258,	10	-	-

Practical Exercise 28.

From the Waste Book Entries of Messrs. Inglis & Glennie, Dyewood and Colour Merchants, prepare Bought, Sales, Cash Books and Journal. Post, prepare T.B., P. & L. A/c. and B/S. The profits are equally divided. Separate A/cs. for Dyewoods and Colours.

Jan. 1908. Cash at Office, £87 16s. 8d. Bank Balance, £500. Stock of Dyewoods, £1080 18s. 5d. Colours, £1286 6s. 9d. Office Furniture, £100. Horses & Waggons, etc., £180. Balances owing by :—Leslie & Co., £238 4s. 6d , Gordon & Jackson, £184 16s. 5d., Macdonald & Co., £216 9s. 8d. Balance due to :—Morrison & Sons, £178 12s. 10d. Robertson & Cooper, £397 18s. 5d. Byer & Sons, £387 18s. 6d. Glasgow Aniline Co., £153 16s. 9d. Capital: Robert Inglis, £1330 6s. 6d. Wilson Glennie, £1425 19s. 5d.

Jan.	1.	Purchased from Rennie & Sons, Dyewoods ..	£100	-	-
,,	1.	Sold Borthwick & Stewart .— Dyewoods..£31 - -, Colours..£70 12 3—101	12	3	
,,	3.	Recd. Invoice from Glasgow Aniline Co.,Colours	235	15	8
,,	5.	Paid Rennie & Sons, cheque	100	-	-
,,	6.	Recd. cheq. of Gordon & Jackson, £82 14 ; Dis.	2	2	5
,,	7.	Delivered (sold) to Baird & Sons :— Colours £66 9 5; Dyewoods £51 6 -	117	15	5
,,	7.	Paid into Bank (90)	160	-	-
,,	8.	Paid Cash for Office Furniture (81)	6	10	-
,,	8.	Recd. Inv. of Rennie & Sons, Dyewoods	146	-	-
,,	10.	Pd. Robertson & Cooper cheque £200, Dis. £20	220	-	-
,,	11.	Consigned (sold) Leslie & Co.:— Colours £125 13 - ; Dyewoods £65 - - ..—190	13	-	
,,	12.	Recd. from Rennie & Sons, Inv. of Dyewoods.	135	5	-
,,	12.	Withdrew from Bank (90)	40	-	-
,,	13.	Paid Wages	11	12	-
,,	14.	Invoiced (sold) to Henderson & Linton :— Dyewoods £69 18 10; Colours £71 6 6..—141	5	4	
,,	15.	Paid Rennie & Sons, cheque	281	5	-
,,	15.	Paid Cash for Horse Corn (Trade Exs.).....	3	8	6
,,	17.	Invoiced (sold) to Macdonald & Co., Dyewoods	145	5	-
,,	18.	Paid Cash for Railway Carriage	8	5	6
,,	18.	Paid Cheque Glasgow Aniline Co., £146 3 - Dis. £7 13 9	153	16	9
,,	19.	Sold Gordon & Jackson, Colours	268	19	6
,,	19.	Bought Stationery from Alex. Millar (*Journal*)	18	5	9
,,	20.	R. Inglis withdrew cash (78)	15	-	-
,,	20.	Recd. Leslie & Co., Cheque £134 15 -, Dis. and paid cheque into Bank	134	15	-
,,	20.	Invoiced (sold) to Gordon & Jackson :— Colours £160 7 - ; Dyewoods £81 9 11 ....—241	16	11	
,,	21.	Paid for Repairs	3	8	6
,,	21.	Recd. of Macdonald & Co., Cheq. £211 1 -, Dis.	5	8	8
,,	21.	Paid Cheq. to Morrison & Sons, £176 3 -, Dis.	2	9	10

Jan. 21.	Recd. Borthwick & Stewart's Cheq. £99 2 -, Dis.		£2	10 3
,, 21.	Consigned (sold) to Boyd & Nesbit :—			
	Dyewoods..£95 15 -; Colours £139 17 6	—235	12	6
,, 22.	Recd. Cheq. from Baird & Sons, £114 17 -, Dis.		2	18 5
,, 22.	Recd. from Robertson & Cooper Inv. of Colours		327	16 -
,, 22.	Withdrew from Bank		30	- -
,, 22.	Paid for repairing Waggons and Harness (81).		6	18 6
,, 22.	Forwarded (sold) Leslie & Co.:—			
	Dyewoods..£87 15 -; Colours..£76 - - ..	—163	15	-
,, 22.	Henderson & Linton pd. Cheq. £130; Dis. £3 7	133	7	-
,, 22.	Paid 4 Cheques into Bank	555	-	-
,, 22.	Forwarded (sold) Baird & Sons, Colours	261	1	2
,, 24.	Morrison's Invoiced to us, Colours	78	5	-
,, 24.	Paid Wages	22	5	8
,, 24.	Delivered (sold) to Gordon & Jackson, Colours	92	19	11
,, 24.	Paid Rent by Cheque	25	-	-
,, 25.	Wilson Glennie withdrew by Cheque (78)	20	-	-
,, 25.	Sold to Henderson & Linton :—			
	Dyewoods..£72 15 4; Colours..£333 9 10	—406	5	2
,, 25.	Pd. A. Millar, Cheque £17 9 -; Dis. 16/9....	18	5	9
,, 26.	Recd. Cheq. on A/c. from Boyd & Nesbit and paid same into Bank to-day	200	-	-
,, 28.	Paid Fire Insurance Premium	1	10	-
,, 29.	Robert Inglis withdrew by Cheque (78)	20	-	-
,, 31.	Paid Sundry Trade Exs. by Cheque	11	3	-
,, 31.	Recd. from Boyd & Nesbit dividend of 15/- in the £ on £35 12 6, being bal. owing (95) ..	26	14	4

Stock of Dyewoods £1050 10 -; *Colours* £450 15 6.

Practical Exercise 29.

Thomas Turner having had bequeathed to him the business of a Wine Merchant, carried on by his late uncle, took possession thereof, 1st September, 1907, when he found the affairs to stand thus :—

Assets :—Cash, £86 14s. 3d. Bank, £1700 18s. 6d. Business Premises, £2000. Furniture and Fittings, £200. Horses, Carts, etc. £350. Stock of Port, £1140. Sherry, £980. Charles Gray, £110 11s. 0d. John Heath, £64 3s. 0d. Arthur Monson, £143 9s. 6d. Ernest Hooley, £206 10s. 6d. Fred Davis, £18 17s. 6d. Albert Boston, £83 6s. 0d. *Liabilities* :—Timms & Co., £1273 11s. 6d. Geisler & Co., £723 1s. 6d. Perrier & Co., £1078 16s. 0d. Capital £4009 1s. 3d., 1st September, 1907.

Sept. 1.	Withdrawn from business by Cheque (78)....	£100	-	-
,, 1.	Sold Port for Cash	8	3	6
,, 2.	Invoiced Charles Gray : Port....£26 8 9			
	Sherry.. 34 3 6—	60	12	3

Sept. 3.	Paid Cheque for Walnut Desk (81)	£28	-	-
,, 4.	Recd. from Chas. Gray, £105. Dis. £5 11 - ..	110	11	-
,, 4.	Paid Wages in Cash	5	-	-
,, 4.	Paid into Bank	180	-	-
,, 6.	Sold Albert Boston, Port £46 7 6, Sherry....	28	13	4
,, 7.	Recd. from Ernest Hooley, £95. Dis. £5	100	-	-
,, 7.	Bought of Timms & Co., Port	136	10	-
,, 8.	Paid them Cheque, £190. Dis. £10	200	-	-
,, 8.	Recd. Cheque of Albert Boston	83	6	-
,, 8.	Paid 2 Cheques into Bank	178	6	-
,, 9.	Sold Sherry for Cash	13	10	-
,, 10.	Recd. from Arthur Monson, £136. Dis. £7 9 6	143	9	6
,, 11.	Paid Wages in Cash.....	5	-	-
,, 11.	Paid into Bank	136	-	-
,, 13.	Sold Ernest Hooley : Port £136 9 6, Sherry	123	4	6
,, 14.	Bought of Geisler & Co., Sherry	210	-	-
,, 15.	Paid them Cheque on A/c.	400	-	-
,, 16.	Sent Chas. Gray : Port £83 10s., Sherry	68	17	6
,, 17.	Recd. from him Cheque £57. Dis. £3 12 3 ..	60	12	3
,, 18.	Paid Wages	5	-	-
,, 18.	Paid Cash for Painting Premises (81)	23	-	-
,, 18.	Paid Cash for Gas.....	4	5	-
,, 18.	Paid into Bank	40	-	-
,, 20.	Bought of Perrier & Co. ; Port £109, Sherry..	84	6	-
,, 20.	Remitted them Cheque on A/c.	500	-	-
,, 21.	Withdrew from Bank	30	-	-
,, 21.	Paid Cash for New Cart (81)	32	10	-
,, 21.	Drew Cheque for private purposes (78)	50	-	-
,, 22.	Sold John Heath : Port £84 6, Sherry	98	10	-
,, 23.	Sold Albert Boston : Port £198 18 6, Sherry	206	11	-
,, 24.	Recd. from him Cheque, which paid into Bank to-day, £71. Dis. £4 - 10	75	-	10
,, 24.	Paid Fire Insurance Premium, Cash	4	5	-
,, 24.	Withdrew from Bank	40	-	-
,, 25.	Paid Wages in Cash	5	-	-
,, 25.	Paid Cash for Corn and Fodder (Trade Exs.)	7	10	6
,, 27.	Bought of Perrier & Co. : Port.....£219 10 - Sherry .... 143 9 6—	362	19	6
,, 27.	Remitted them Cheque £524. Dis. £54 16 -..	578	16	-
,, 28.	Hooley compounded with his Crs. for 10s. in the £. Recd. Cheq. and pd. it into Bank (95)	183	2	3
,, 29.	Paid Borough Rate in Cash	27	-	-
,, 30.	Paid Rly. Co. Carriage A/c. by Cheque	13	-	-
,, 30.	Interest allowed by Bank (92)	10	5	-
,, 30.	Charge Depreciation on Premises (82).....	40	-	-
,, 30.	,, ,, Furniture, etc.	17	2	-
,, 30.	,, ,, Horses, etc.....	38	5	-

Stock—Value of Port, £1363 ; *Sherry*, £1096.

Practical Exercise 30.

Assets :—Cash, £50 1s. 6d. Bank, £864 7s. 6d. Tea, £800. Coffee, £350. Cocoa, £410. Brown & Brooke, £162 1s. 3d. Simpson & Sons, £124 2s. 6d. Carter & Co., £98 12s. 3d. Bruce & Co., £172 17s. 0d. *Liabilities* :—Colman & Co., £401 2s. 6d. Wilson & Sons, £103 4s. 0d. Ramsden & Co., £127 15s. 6d., Alfred Bailey, £215, Capital, £2185, 2nd Jan., 1909.

Jan.	2.	Recd. of Brown & Brooke, Cheque £158, which paid into Bank. Dis. £4 1 3	£162	1	3
,,	2.	Sold Carter & Co., Tea.....£110 - - Cocoa, £30 10 - ; Coffee,.. 15 - -—155	10		-
,,	2.	Pd. Colman & Co., Chq. £292 10s. Dis. £7 10	300	-	-
,,	2.	Sold Smith & Ward, Tea	60	-	-
,,	2.	Sold Bruce & Co., Tea, £69 ; Coffee, £32 10—101	10		
,,	3.	Recd. of Simpson's, £121. Dis. £3 2 6	124	2	6
,,	4.	Pd. Ramsden & Co., Chq. £125. Dis. £2 15 6	127	15	6
,,	4.	Sold Brown & Brooke, Tea .....£169 - - Coffee ..... 74 7 6—243	7		6
,,	5.	Bought of Wilson & Sons, Tea	505	-	-
,,	5.	Paid them Cheque £101 10. Dis. £1 14	103	4	-
,,	6.	Sold Simpson & Sons, Tea	260	-	-
,,	6.	Received their Cheque on A/c. for	150	-	-
,,	7.	Paid Wages.....	5	-	-
,,	7.	Sold Brown & Brooke, Cocoa £60, Coffee, £84	144	-	-
,,	7.	Sold Simpson & Sons, Tea, £125 ; Coffee, £70 ; Cocoa, £27 10	222	10	-
,,	9.	Bought of Ramsden & Co., Coffee	102	-	-
,,	10.	,, Colman & Co. ,, ...	130	-	-
,,	11.	Recd. of Simpson & Sons, £105 ; Dis. £5	110	-	-
,,	12.	Recd. of Brown & Brooke, £235. Dis. £8 7 6	243	7	6
,,	14.	Cash Sales to date, Tea	280	-	-
		,, ,, Coffee	87	10	-
		,, ,, Cocoa	90	-	-
,,	14.	Paid Wages in Cash.....	5	2	6
,,	14.	Paid into Bank	420	-	-
,,	16.	Pd. Colman & Co., Cheq., £225. Dis. £6 2 6	231	2	6
,,	16.	Paid Cash into Bank.....	600	-	-
,,	17.	Bought from Alfred Bailey, Cocoa	210	-	-
,,	17.	Remitted him Cheque £207 10., Dis. £7 10 ..	215	-	-
,,	20.	Sold Carter & Co., Tea, £111 ; Coffee, £85 ; Cocoa, £63	239	-	-
,,	20.	Received their cheque for	256	2	6
,,	20.	Paid into Bank	300	-	-
,,	21.	Paid Wilson & Co., Cheque	505	-	-
,,	21.	Paid Wages in Cash	5	-	-
,,	23.	Bought of Colman & Co., Coffee	130	-	-
,,	23.	Bought of Wilson & Sons, Tea	315	-	-

Jan. 23.	Bought of Alfred Bailey, Tea.....	£200	-	-
,, 24.	Paid Alfred Bailey, Cheque £202 ; Dis. £8	210	-	-
,, 24.	Sold Simpson & Sons, Tea	55	-	-
,, 25.	Sold Brown & Brooke, Coffee	42	-	-
,, 25.	Sold Carter & Co., Coffee	45	-	-
,, 26.	Smith & Ward became insolvent and paid their creditors a div. of 10s. in the £, I recd. and paid into the Bank (95)	30	-	-
,, 26.	Sold Brown & Brooke, Tea.....	60	-	-
,, 27.	Recd. of Carter & Co., £107 ; Dis. £3.....	110	-	-
,, 27.	Drew cheque for cash	500	-	-
,, 28.	Bought for Cash at Auction Sales:— Tea, £250 ; Coffee, £157 10 ; Cocoa, £104	511	10	-
,, 28.	Paid Wages, Cash.....	5	7	6
,, 31.	Sundry Cash Sales to date:—Tea.....	154	-	-
	Coffee	61	-	-
	Cocoa	49	-	-
,, 31.	Rent *due* Landlord	10	-	-
,, 31.	Paid Rates	5	10	-
,, 31.	Paid Sundry Trade Expenses.....	5	2	6
,, 31.	Paid into Bank	350	-	-

Stocks;—Tea, £730 ; *Coffee*, £381 ; *Cocoa*, £440.

Practical Exercise 31.

Jackson Bros. (Robert and John) carry on business as Tobacco Merchants. Three-fifths of profits to Robert, two-fifths to John.

Assets :—Cash, £20. Bank, £2600 9s. 6d. Furniture & Fittings, £380. Tobacco, £700. Cigars, £510. Cigarettes, £263. Edward Wade, £212 12s. 6d. Thos. Elliott, £113. Joe Parson, £128 6s. 2d. Alb. Kershaw, £50. Hy. Hirst, £300. *Liabilities* :—Ogden & Co., £190. Bell & Sons, £250 9s. 6d. Wills & Co., £800. Hignett & Co., £505 18s. 8d. Martin Bros , £606. Capital :—Robert Jackson, £1755. John Jackson, £1170. 1st October, 1907.

		£	s.	d.	£	s.	d.
Oct. 1.	Sold Edward Wade :—Tobacco.....	20	6	4			
	Cigars..£50 10 ; Cigarettes.....	15	9	6	86	5	10
,, 1.	Received from him, cheque £202, Dis. 10 12 6—212 12 6						
,, 2.	Paid Cash for Stationery (Trade Exs.)				5	7	3
,, 2.	Recd. from Henry Hirst, cheque on A/c.....				200	-	-
,, 2.	Paid cheques into Bank				402	-	-
,, 4.	Bot. of Hignett & Co. : Tobacco	42	10	6			
	Cigars ....£96 ; Cigarettes	19	5	4—157	15	10	
,, 4.	Paid them cheq. £480 12. Dis. £25 6 8				505	18	8
,, 5.	Paid Wills & Co., cheque on A/c.....				400	-	-
,, 5.	Sold Joe Parson : Tobacco .....£30 8 -						
	Cigars....£80 6 ; Cigarettes....£20 10 —131				4		

Oct. 6.	Recd. from him Cheque £121 18. Discount..		£6	8	2
	paid cheque into Bank		121	18	-
,, 7.	Invoiced to Albert Kershaw, Cigars		28	10	-
,, 7.	Received cheque from him		50	-	-
,, 8.	Bought Cigars from Martin Bros.....		150	10	-
,, 8.	Paid them cheque £285. Dis. £15		300	-	-
,, 8.	Received cheque from Joe Parson on A/c.		43	-	-
,, 8.	Pd. Ogden & Co., cheque £180 10. Dis. £9 10		190	-	-
,, 9.	Sold Cigarettes to Thomas Elliott.....		18	-	-
,, 9.	Paid into Bank		93	-	-
,, 9.	Sold to Henry Hirst :—Tobacco.....£63 8 6				
	Cigars....£46 10; Cigarettes....£21 3 ——		131	1	6
,, 9.	Paid Wages in Cash.....		8	10	-
,, 11.	Edward Wade paid cheque on A/c.		50	-	-
,, 11.	Endorsed Wade's cheque and sent it to Bell				
	and Sons (66*b*).....		50	-	-
,, 11.	Bought of Ogden & Co.; Tobacco £130 - -				
	Cigars ..£160 - -; Cigarettes 32 - ——		322	-	-
,, 12.	Parson's chq. returned by Bank dishonoured				
	(*N.B. at the end of the Exercise*).....		43	-	-
,, 14.	Sent to Thomas Elliott . Tobacco..£89 6 6				
	Cigars..£113 4 6; Cigarettes.. 45 7 ——		247	18	-
,, 16.	Withdrew from Bank		20	-	-
,, 16.	Paid Wages in Cash.....		8	10	-
,, 16.	Paid for Postages (Trade Exs.)		5	-	-
,, 18.	Bought of Bell & Sons :—Tobacco..£83 9 4				
	Cigars..£54 6 2; Cigarettes.. 27 8 6——		165	4	-
,, 18.	Paid them cheque, £238. Dis. £12 9 6		250	9	6
,, 20.	Recd. cheque from Henry Hirst		100	-	-
,, 20.	Endorsed Hirst's cheque and sent it to Martin				
	Bros. (66*b*)		100	-	-
,, 21.	Paid Borough Rate in Cash		11	9	6
,, 21.	Sold Edward Wade :—Tobacco....£53 16 8				
	Cigars..£48 13 10; Cigarettes.. 27 16 4——		130	6	10
,, 21.	Recd. from him Chq. £32. Dis. £4 5 10		36	5	10
,, 22.	Sold Henry Hirst .—Tobacco .....£68 15 -				
	Cigars..£100 3 -; Cigarettes 28 7 8——		197	5	8
,, 22.	Recd. from him Chq. £124 10s. Dis. £6 11 6		131	1	6
,, 22.	Paid Cheques into Bank		156	10	-
,, 23.	Drew Cheques for Cash		20	-	-
,, 23.	Paid Wages in Cash.....		8	10	-
,, 25.	Parson absconded, left no assets : his debt is (74)		131	4	-
,, 25.	Paid Cheque for new Show Case (81)		23	-	-
,, 26.	Bought of Wills & Co. :—Tobacco £130 6 -				
	Cigars..£180 4 -; Cigarettes 63 10 ——		374	-	-
,, 26.	Paid them Cheque £360. Dis. £40.....		400	-	-
,, 27.	Bought Cigars from Martin Bros.....		123	10	-
,, 27.	Paid them Cheque £275 14. Dis. £30 6.....		306	-	-
,, 27.	Paid Cash for Fire Insce. Prem.		4	10	-
,, 28.	Recd. from T. Elliott Chq. £124 9, Dis. £6 11		131	-	-

Oct. 28.	Sent Elliott's Chq. to Wills & Co. on A/c. (66*b*)	£124	9	-
„ 30.	Paid Rent by Cheque	10	-	-
„ 30.	Partners each withdrew by Cheque £20 (78) ..	40	-	-
„ 30.	Cash Sales—Tobacco .....£19 6 -			
	Cigars..£23 10 -; Cigarettes .. 8 4 6—	51	-	6
„ 30.	Paid Wages in Cash.....	8	10	-
„ 30.	Depreciation of Furniture, etc. (82)	22	-	-
„ 30.	Interest on Capital—Robert Jackson (71)	7	6	3
	„ John Jackson	4	17	6
„ 30.	Bank Interest credited (92).....	8	10	6

Value of Stock :—*Tobacco* £865;
Cigars.....£928; *Cigarettes*.....£290

N.B.—Oct. 12th, Dishonoured Cheque.—This means that although Parson has forwarded us the cheque, his bankers refuse to pay it. We received it on the 8th, and paid it into our Bank on the 9th. Our Bank now return it to us and Parson owes us the money. Enter on the Cr. side of the C.B. Bank column "*Oct. 12th. By J. Parson (Dishonoured Cheque)* £43." This will, of course, be posted to the debit of Parson, to whom we shall write demanding the cash.

Practical Exercise 32.

In Jan., 1909, John Wm. Heaps, Edwin Wilson, and Arthur James Bowler entered into partnership under the style or firm of Wilson and Bowler, their respective Capitals of £5000, £500 and £500, being paid into Bank in the name of the Firm. On Jan. 1 they purchased the business of Warren & Co., Indigo Merchants, for the sum of £4759 1s. 3d., to be paid at the end of the month. Warrens' books stood as follows— (See par. 79).

Liabilities.	£	s.	d.
Bower & Co. 1273	11	6	
Koebel & Co. 723	1	6	
Jewesbury & Co. ..1078	16	-	
Capital 4009	1	3	
	7084	10	3

(*In journalising these balances be careful to debit Goodwill with £750, and credit Warren & Co. with £4759 1 3.*)

Assets.	£	s.	d.
Premises 3000	-	-	
Furniture & Fittings . 200	-	-	
Horses, Carts, etc. .. 350	-	-	
Stocks of Indigo :—			
Bengal £1360 - -			
Kurpah 1100 - -			
Madras 447 12 9			
—2907	12	9	
Chas. Slee..... 110	11	-	
John Holt..... 64	3		
Brooke & Co. 143	9	6	
Roberts Bros. 206	10	6	
Firth & Jones 18	17	6	
Bureau & Co. 83	6	-	
£7084	10	3	

Heaps takes one-half the profits, the other half is divided equally between Wilson & Bowler.—Keep 3 separate a/cs. for Indigo.

Jan.	2.	Drew Cheque for Cash	20	-	-
,,	2.	Sold Bengal Indigo for Cash	8	3	6
,,	2.	Invoiced C. Slee, Bengal, £126 8 9; Kurpah, £100; Madras, £34 3 6	260	12	3
,,	3.	Paid Cheque for Roll Top Desk (81)	18	-	-
,,	4.	Recd. from Chas. Slee, £105. Dis. £5 11	110	11	-
,,	6.	Sold Bureau & Co., Bengal, £46 7 6; Kurpah, £148 13 4; Madras, £50	245	-	10
,,	7.	Paid Wages	15	-	-
		Received from Roberts Bros., £95. Dis. £5	100	-	-
		Paid into Bank	200	-	-
		Bought of Bower & Co., Bengal, £468 10; Kurpah, £342	810	10	-
,,	9.	Paid them Cheque	1000	-	-
		Recd. Cheq. of Bureau & Co., £83; allowed 6/-	83	6	-
,,	10.	Paid Cheque into Bank	83	-	-
		Sold Madras for Cash	13	10	-
		Recd. from Brooke & Co., £136. Dis. £7 9 6	143	9	6
,,	12.	Paid into Bank	136	-	-
,,	13.	Sold Roberts Bros., Bengal, £136 9 6; Madras, £123 4 6	259	14	-
,,	14.	Bought of Koebel & Co., Madras	310	-	-
		Paid them Cheque on A/c.	400	-	-
		Paid Wages	15	-	-
,,	16.	Sent Firth & Jones, Kurpah, £83 10; Madras, £68 17 6	152	7	6
,,	17.	Received from them Cash £18. Dis. 17/6	18	17	6
,,	18.	Paid Cheque for Painting Premises (81)	20	-	-
		Paid Cash for Gas (Trade Exs.)	4	5	-
,,	19.	Paid Cheque for Weighing Machine (81)	15	-	-
		Paid Corn & Fodder A/c. in Cash (Trade Exs.)	11	9	6
		Paid for two new Cart Lamps (81)	1	-	-
		Bought of Jewesbury & Co., Bengal, £360 10 -; Kurpah, £228; Madras, £190	778	10	-
,,	20.	Horse valued at £25 died and carcass sold for (81)	1	-	-
,,	20.	Remitted Jewesbury & Co. Cheque on A/c.	1000	-	-
		Withdrew from Bank	20	-	-
		Paid Cheque for New Horse (81)	40	-	-
		E. Wilson drew Cheq. for private purposes (78)	50	-	-
,,	21.	Sold J. Holt:—Kurpah, £84; Bengal, £100; Madras, £98 16	282	16	-
		Paid Wages	15	-	-
,,	23.	Sold Brooke & Co.:—Kurpah, £108 18; Bengal £156; Madras, £106 11	371	9	-
,,	24.	Recd. from J. Holt, Cheq., and paid into Bank	150	-	-
		Paid Fire Insurance Premium, Cash	4	5	-
,,	26.	Bought of Koebel & Co., Madras	278	-	-

Jan. 27.	Remitted them Cheque	£323	1	6
,, 28.	Roberts Bros. compounded with their Crs. for 13/4 in the £, recd. Cheq., and paid it into Bank to-day (95)	244	3	-
,, 28.	Paid Borough Rate by Cheque	27	-	-
	Paid Rly. Co. Carriage A/c. by Cheque	13	-	-
	Drew Cheque for Wages	15	-	-
,, 31.	Charge Depreciation on Premises (82)	10	-	-
	,, ,, Furniture, etc.	1	10	-
	,, ,, Horses, etc.	6	-	-
	,, ,, Goodwill	25	-	-
	Paid Warren & Co., Cheque	4759	1	3
	Int. on Cap., John Wm. Heaps (71)	20	16	8
	,, ,, E. Wilson & A. J. Bowler, each	2	1	8
	Interest on withdrawal, Edwin Wilson (78)	-	1	8
	Due to E. Wilson & A J. Bowler for salary each	13	-	-

Stocks of Indigo: *Bengal* £1765, *Kurpah* £1324, *Madras* £810.

Exercise 33.

Examination Paper set by the W.R.C.C., 1900.

1. Make out William Glen's A/c. in John Bray's Ledger in respect of the following dealings, during February, 1900.

Feb. 1.	Glen buys Goods	£20	17	6
,, 4.	Bray receives Cash	10	-	-
,, 6.	Bray sells Goods	13	19	4
,, 10.	Glen returns Goods	2	9	3
,, 12.	Bray buys Goods	26	19	8
,, 16.	Bray pays Cash	2	-	-

Bray allows discount 5% on Goods sold.

Answer.—*Cr. Balance* £4 4 5.

2. Write up the following Transactions of Joseph Granby into the C.B. and Sold and Bought Day Books; post to Ledger and make out T.B. (Jan. to June, 1900) :—

Jan. 1.	Cash in hand	£17	15	3
,, 1.	Cash at Bank	186	17	9
,, 1.	Goods in Stock	349	13	11
,, 8.	Sold to Wells & Son, Goods	19	16	3
,, 12.	Bought of Brown Bros., Goods	24	19	1
Feb. 1.	Wells & Son pay £19 10 -. Discount	-	6	3
,, 3.	Paid to Bank	10	-	-
Mar. 6.	Drew Cheque for Brown Bros.	12	-	-
,, 13.	Sold to Chas. Carr, Goods	34	15	1
,, 31.	Recd. Cash for Goods	2	10	-
April 4.	Bought Goods of D. Dixon	86	2	9

Apl. 18.	Joseph Granby withdraws Cash	£20	-	-
,, 28.	Recd. from Carr and paid to Bank, £33. Dis.	1	15	1
May 9.	Wells & Son buy Goods	96	14	3
,, 25.	Wells & Son pay Cash.....	40	-	-
June 6.	Paid Brown Cash £12 10 -; Dis. 9/1			
,, 14.	Paid Dixon Cash, £10; and Cheque on Bank £30			
,, 23.	Drew Cheque for Rent, £25			
,, 23.	Cash paid Sundry Expenses, £14 17 3			

Answer.—*Total of T.B.* £1048 12 -.

3. On 2nd January, 1900, Wetherby, Sons & Co., of 27 Store Street, London, E.C., sell to Thos. Dore, High Street, Oxford, 1 dozen Sable Necklets, at 42/- each, and 3 dozen pairs Tapestry Curtains, No. 2016, at 43/6 per pair, and forward per L. & N. W. Rly., carriage paid, charging 10/- per box. Make out Invoice. On 6th January, Dore returns 2 pairs Curtains torn in packing. Make out C/N.

4. A Corn Merchant buys 100 quarters Wheat at 30/- and pays carriage 6d. per quarter. He also buys 60 quarters Wheat at 31/6 delivered free. He sells 156 quarters at 32/- (less 12/- allowance); the remaining 4 quarters become damaged and worthless. Make a/c. showing the Profit or Loss. (Profit £2).

5. Make Journal Entries of the following Transactions of Waite Bros., Drysalters :—Recd. Horse and Van in exchange for Goods, value £35; Sold Goods to Marshall Bros. £50; Bought Goods of Josh. Hirst & Sons, £80; Handed to Hirst Cheque received from Marshall Bros. £47 10s. and allowed the latter Dis. £2 10s.; Sold to Hirst, old Machinery, £32 10.

Bill Drawn by one Company on another.

£500. *LEEDS,*

1*st July*, 1909.

Stamp Five Shillings.

Three months after date pay to The Airedale Spinning Company, Limited Five Hundred Pounds, value received.

To Messrs. John Sykes, Ltd., Market Street, Bradford.

Accepted for John Sykes, Ltd., and by its authority, Henry Cooke, Alfred Day, } Directors.

For the Airedale Spinning Company, Limited, and by it authority.

James Paul,
Managing Director.

BILLS OF EXCHANGE.

109. Payments in coins, bank-notes, and cheques, are not the only methods adopted in the commercial world for the transfer of money. **BILLS OF EXCHANGE** or **DRAFTS,** which are stamped promises to pay a sum of money on a given date, play an important part in the transactions of modern business. A Bill of Exchange is an instrument intended to enable a creditor who has funds in the hands of a debtor to **transfer** them, or a part of them, to himself or to a third party. These documents are the means of expanding or contracting credit to meet the varying demands of trade and are usually employed (*a*) where it is inconvenient to make immediate or direct payment of cash ; or (*b*) in order to observe the custom of some particular trade.

During the course of your business life you may wish to make a purchase of goods and to take advantage of the state of the market just at a time when you have not at your command sufficient cash for the purpose. Knowing full well, however, that a few months hence you will have ample cash, and not wishing to miss the chance of making a bargain you propose to purchase from Merchant & Co., goods to the value of £200. You inform that firm of your inability to pay for the goods at once, but relying on your trustworthiness they invoice you the goods, and draw a three months' bill, which you accept, thereby promising to pay the £200 at the expiration of that period. The discount which Merchant & Co. might have allowed you for prompt cash payment, is, of course forfeited.

110. The chief **advantages** of a B/E are:—**(1)** It is a convenient method for the **transfer of debts** and a perfect mechanism for the settling of credit transactions ; the trouble, risk and expense of transmitting coin or notes being avoided, as a bill is generally discharged through the medium of the banks. **(2)** It is a **legal acknowledgment,** and not a mere record of a debt, whereby the exact amount is stated and the exact time

of payment is fixed, thus ensuring punctual payment from otherwise dilatory customers. (3) It is a **negotiable instrument** and **exchangeable for cash,** working capital being thereby increased. A creditor may have thousands of pounds of *book debts* and still be financially embarrassed; but if he can arrange for some of his debtors to discharge their indebtedness by B/E. he will then be able to gain financial relief by negotiating—cashing—some of the bills. Merchant & Co. could deal with your bill in three ways: (*a*) retain it until it became due (*b*) transfer it by endorsement to a creditor (*c*) discount it, *i.e.*, they could obtain the value of the bill before the expiration of the three months from a banker or bill broker, subject to the deduction of a small discount. (4) **Prompt legal recovery** in case of dishonour—non-payment. Should you fail to pay the amount when due it would not be necessary for Merchant & Co. to commence an action against you for the *price of goods supplied*, but simply for payment of the amount, interest and expenses of the dishonoured bill—the fulfilment of your promise to pay. If you raised any pleas as to non-delivery of the goods, short weight, inferior quality, excessive price, &c., they would all be of little avail in the face of your written promise to pay the amount, which legal acknowledgment would be taken as almost conclusive evidence of your indebtedness.

111. A BILL OF EXCHANGE (**B/E**) according to the Bills of Exchange Act, 1882 (45 and 46 Vict., chap. 61), "is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time a sum certain in money to or to the order of a specified person, or to bearer." An instrument which does not comply with these conditions, or which orders any act to be done in addition to the payment of money is not a B/E. A Bill payable on marriage would be invalid, as the event may never happen; while one payable on death is valid. There are two kinds of Bills:—**Inland** and **Foreign;** the former being those both drawn and payable in the

British Islands, which include the Channel Islands and the Isle of Man.

EXAMPLE OF DRAFT.

No. 1. **£200.** *HUDDERSFIELD, 18th August,* 1907.

Impressed Stamp Two Shillings.

Three months after date, pay to our order

TWO HUNDRED POUNDS, value received.

To Mr. Albert Pupil.
113 *New Street, Leeds.*

MERCHANT & CO.

112. It is usual for the Drawer to consult his own convenience as to how he shall direct the drawee to pay the money :—(1) at what time ; (2) at what place ; (3) to whom. For instance, the bill may be payable : (1) at sight, six months after date or after sight ; (2) in London, or at the Union Bank ; (3) to the drawer, to a third party, or to bearer. In practice there are **five essentials** in **drafting** a bill, which is generally done by filling up either a blank *bill stamp* or a lithographed form already *impressed* with a stamp sufficient in value to cover the stamp duty payable thereon.

1. The Date should be so clearly written at the top right-hand corner of the draft that it cannot be easily altered, as the term or period of the bill generally commences to run from the date. A bill issued undated is not invalid, and any holder may insert the true date, or what he believes to be the true date, and the bill is then payable accordingly.

2. The Term (*Three months after date*), sometimes called the Currency of a bill, is the period intervening between the date upon which the bill is drawn, and that upon which the amount becomes due.

3. The Amount (known as the **contents** of a bill) should be accurately stated at the top left-hand corner in figures, and in the body of the draft in words.

4. The Parties necessary to every bill number three, though sometimes the functions of two of these parties are performed by the same person. They are called the **Drawer,** the **Drawee,** and the **Payee.**

(a) The **Drawer** is the party who writes out or drafts the bill, which he signs at the foot, as *Merchant & Co.* The Drawer is supposed to be the Creditor of the Drawee.

(b) The **Drawee** is the person to whom the order or request for payment is addressed, as *Albert Pupil.*

(c) The **Payee** is the party to whom the money is to be paid. In the above example the Drawer and the Payee are the same—*Merchant & Co.* "pay to our order" means pay to Merchant & Co. or to any other person whom they may authorise by endorsement. Instead of the words "our order," they might have inserted *Lee & Co. or order* in which case the bill would have been payable to Lee & Co., and there would then have been three different parties concerned. A bill may be made payable to the holder of an office, thus :—"The Secretary, Halifax Chamber of Commerce;" or "The Treasurer, York Infirmary."

5. The Stamp. Before being drafted most bills require to be *impressed* with *ad valorem* stamp duty at the rate of 1/- for every £100, and also for any fractional part of £100 if the bill exceeds £100. When the amount does not

Exceed £5	the stamp required is				1d.
Exceeds £5	and does not exceed	£10	stamp		2d.
„ £10	„	„ £25	„		3d.
„ £25	„	„ £50	„		6d.
„ £50	„	„ £75	„		9d.
„ £75	„	„ £100	„		1s. 0d.

Bills payable "*on demand*," "*at sight*," or within *three days after date or sight*, for whatever amount, only require a *penny stamp*, either impressed or adhesive, but if the latter it must be cancelled by the drawer of the bill. A Bill payable with interest does *not* affect the stamp, unless a specific sum is named, though the

interest be payable from a debt antecedent to the date of the bill. Bills drawn in the Channel Islands and the Isle of Man are foreign bills so far as the Stamp Act is concerned. The Penalty for issuing or negotiating unstamped bills is £10.

113. Unlike other contracts, the **consideration** for a B/E. is presumed till the contrary is made probable. Although it is superfluous it is nevertheless the custom to add to a bill the words **value received.** They are intended to imply that the bill has been given in exchange for a consideration, that is, actual or real value or benefit previously received in the form of goods, cash, or services.

114. Procedure relating to transactions in **Bills.** In order to fully grasp dealings in bills you will find it instructive to follow the procedure concerning a few simple transactions. On receipt of the cloth purchased from Merchant & Co., on the 2nd August, you would, of course, inspect its condition and generally compare the particulars on the invoice with the material itself. If any discrepancy occurred, as short lengths, excessive price, inferior quality, or damaged pieces, you would at once communicate the fact to Merchant & Co. Assuming, however, that you had made no complaint about the cloth, all being in perfect order, you would in the course of a few days receive from Merchant & Co., a draft for £200 enclosed in a letter as follows :—

50, *King Street,*
Huddersfield, 18*th August,* 1907.

Albert Pupil, Esq.,
113 *New Street, Leeds.*

Dear Sir,

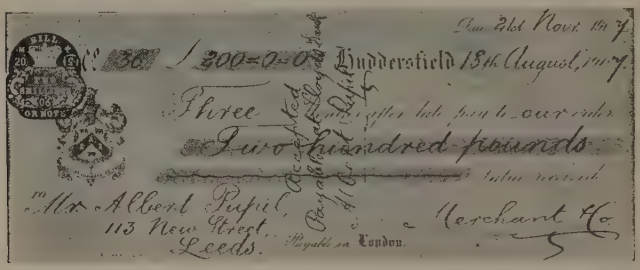
We beg to enclose a three months' draft on you for £200 *which we will thank you to accept and return to us, made payable in London.*

Yours faithfully,
MERCHANT & CO.

On receipt of the above you would refer to your Ledger to see that the amount was correct, and after

carefully examining the draft would accept it, when it would appear as follows :—

EXAMPLE OF BILL OR ACCEPTANCE.



115. To **ACCEPT A BILL** is to signify your assent to the order of the Drawers—Merchant & Co., by writing your name across the face of the Bill, thereby engaging to pay the amount specified when due. Before accepting the bill you were merely the Drawee, but having now made yourself liable to pay the £200 in three months, by accepting the bill, your capacity is changed to that of **Acceptor.** The bill may now be termed an **Acceptance,** the simple meaning of which is "I will pay." An Acceptance is not binding when given by any other person than the Drawee; thus, if a bill be drawn on Henry Brook, and be accepted by Henry Wild, the latter would not be liable on the bill. The Drawee is entitled to retain the bill for 24 hours, but after that he must re-deliver it accepted or unaccepted. The Drawee may sign before the Drawer's signature is written, or he may sign a blank stamped form. Acceptances are divided into general and qualified. A **general** or **clean** acceptance assents, without qualification, to the order of the drawer. The naming of the place of payment without adding *and there only* does not take it out of the general class. A **qualified** acceptance is one which, in express terms, varies the effect of the bill as drawn. The qualification may be conditional, partial, local,

periodical, or the acceptance of one or more of the drawees, but not all, as :—

Accepted on condition of three months' renewal.
Accepted for £100 only.
Accepted payable at Lloyds Bank, and there only.
Accepted payable in four months.

The holder of a bill may refuse to take a qualified acceptance, and may at once treat the bill as dishonoured by non-acceptance for want of a general acceptance. If he takes a qualified acceptance it will bind the acceptor and all subsequent parties, but it will not bind those who have already drawn or endorsed, unless they have authorised it or assent to it expressly or by implication, and they will consequently be discharged on the holder taking it. While the **signature** of the acceptor is alone *essential* in accepting a bill, it is nevertheless customary to preface the word *Accepted* and add the place of payment ; which, if omitted, is taken to be the usual place of business of the acceptor. The place of payment is known as the **domicile,** and the above bill will be a *Domiciled Bill*, because the place of payment is stated. After accepting the bill and making the entries in your books you would write a note returning the acceptance to Merchant & Co.

116. DAYS OF GRACE. Now this bill would become due or **mature** on the 21st November, 1907, being three *calendar* months after its date, plus *three extra days* which are known as *days of grace.* According to an old custom, no B/E. except those payable on demand or at sight is really payable in the U.K. until **three days** after the expiration of the currency or term of the bill. These three days must be added to the term before you can arrive at its **due date.** Originally they were merely a matter of indulgence, grace, or favour, but they have now acquired legal force, and must be allowed unless the bill otherwise provides, as —" On the 2nd June *fixed* pay," or " Six months after date, *without grace*, pay."

117. MODE OF PAYMENT. A few days before the bill became due, or arrived at maturity, it would be necessary for you, the **payer,** to inform your banker, that the **payees,** Merchant & Co., would be **presenting**

your banker's London Agents—*Lloyds Bank*—the bill for payment. You would notify or advise him of this by means of an—

118. ADVICE SLIP, which is a formal note, containing particulars of bills, addressed to a banker, **advising** or requesting him to pay or honour the bills specified, and to debit the a/c. of the acceptor with the amount. Bills presented for payment are frequently dishonoured for want of advice, or as is sometimes termed, *No Orders.*

Acceptor.	Drawer.	Date.	Term.	Amount.
Albert Pupil	*Merchant & Co.*	18 *Aug.*	3 *mos.*	200 - -

To the West Riding Banking Co., Ltd.

Please advise Lloyds Bank, to honour the above acceptance, amount £200 0 0, *and charge the same to account of*

ALBERT PUPIL.

Leeds, 18*th November,* 1907.

119. On **PRESENTATION** of the above bill, by Merchant & Co.'s Bankers to *Lloyds Bank*, the latter would pay the former the amount and take possession of the matured bill on your behalf. When a bill is thus disposed of it is said to be **honoured, redeemed, taken up, met, lifted ;** all of which denote payment. The next time you had your Pass Book entered up at the Bank you would find that your a/c. had been debited with the £200, which had been paid to meet your acceptance. Therefore, on *advising* the Bank to meet a B/P., always either record the transaction in the Journal :—*B/P. Dr. To Bank*, or on the Cr. side of Cash Book :—*Nov. 18th, By B/P.* £200.

120. PAYMENT OF BILLS. A bill is said to be discharged or extinguished when **duly paid** at maturity directly on presentation, which is called by business men a *payment in due course.* The discharge of a bill is effected either by the holder's receipt on the back of it, or by simply cancelling it. The bill thus discharged is, in both cases, returned to the drawee or his banker.

Every bill (except those on demand or at sight) *must* be **presented** for **payment** either to the acceptor, or to the bank where it is made payable, on the last day of grace. Failure to observe this would result in all the parties to the bill, except the acceptor, being discharged from their liability. When a bill is accepted on condition of the presentment at a particular place *and there only*, or with words to the like effect, also where a Promissory Note is expressed in the body to be payable at a particular place, it *must* be presented even to charge the acceptor. Should the last day of grace fall on Sunday, Christmas Day, Good Friday, or a public fast or thanksgiving day, it is payable on the *preceding* business day; if on a Bank Holiday, then on the *succeeding* business day. If a bill is **lost** before it is overdue the drawer may be compelled to give a duplicate to the person who was the holder, upon his giving sufficient indemnity against the claims of any person who may become possessed of the lost bill. The loser should immediately give notice of the loss to the parties liable on the bill, and a public advertisement should also be given. The party who has lost the bill must, nevertheless, make application to the drawee for payment at the time it is due, and give notice of dishonour.

121. You will observe in Ex. 34, 10th August, that you "*Received from A. Brand his acceptance at 1 month for £100.*" This transaction signifies that A. Brand owed you £100; and that you drew a draft upon him for the amount; which he returned to you duly accepted.

EXAMPLE OF ACCEPTANCE.

No. 1. **£100.** *HUDDERSFIELD.*
10th August, 1907.

Impressed Stamp One Shilling.

ONE MONTH after date pay to my order, the sum of ONE HUNDRED POUNDS, value received.

Accepted. Payable at Glyn, Mills & Co., London. Alf. Brand.

To Alfred Brand, Esq.,
Dock Street,
Hull.

ALBERT PUPIL.

122. This bill, of which you are the **holder,** would become due on the 13th September, 1907. Three or four days before that you would endorse it, and, along with a **Credit Slip** (see par. 67), hand it to your banker, just as you would a cheque, **for collection,** from Glyn, Mills & Co., who would pay the amount on behalf of Alf. Brand, and thus meet, honour, or redeem the bill. Your banker would, of course, credit your a/c. with the amount he had received in respect of the bill. On paying bills into bank for collection, either record the transaction in the Journal :—*Bank Dr. To B/R.*, or on the Dr. side of the Cash Book :—*Mar. 10, To B/R*, £185 12 6.

123. ACCOUNTS OF BILLS. It will be quite clear to you that the above bill is **Payable** by the person accepting it, viz, Alf. Brand; and **Receivable** by the person holding it, viz., yourself. Therefore, in recording transactions concerning bills, you would call those going **Out,** *which you have accepted* or undertaken to pay, **Bills Payable**; and those coming in, *which you hold* from others, **Bills Receivable.** Previous to Alf. Brand accepting your bill for £100, that amount stood to his debit in a personal a/c. in the Ledger, but immediately he accepted the bill his indebtedness changed from the form of a *book debt* to that of a *negotiable instrument*, a written promise to pay, which is a Bill Receivable to you. This bill is something real and tangible with which you can deal and for which you can obtain money, or use for the payment of a debt. Hence the a/cs. of Bills Payable (B/P.) and Bills Receivable (B/R.) must be regarded as Real a/cs., the rules for entering which, you will remember, are :—Value coming **In** is **Dr.,** value going **Out** is **Cr.** You must not fail to remember that it is the **acceptance** which gives the Bill its *value*, therefore no entry must be made until the Bill is accepted. **B/R.**—On an **acceptance** coming **in** or being received by you, as from Alf. Brand, you would journalise it thus:—*B/R. Dr.* £100. *To Alf. Brand*, £100. (See par. 147.) And on the arrival of the *due date*, when the Bill goes **Out,** on being **honoured** or **paid** by Alfred Brand, thus;—

Bank or Cash.....Dr. £100, *To B/R.* £100. In *practical work* the entry in the **Cash Book** would be on the **Dr.** side, thus :—*To B/R.* £100.

As mentioned in par. 110, the holder of a Bill may **negotiate** it, *i.e.*, endorse and pay it away to a creditor, as in Ex. 40, where T. Long's acceptance is paid by you to W. Hill, which transaction would be journalised thus :—*William Hill, Dr. to B/R.*, £196 19 10.

B/P. The **acceptance by you** on 18th August of Merchant & Co.'s bill represented a bill going **Out** and would be journalised thus :—*Merchant & Co., Dr.* £200. (See par. 148.) *To B/P.....*£200. and on its coming **In** and being **honoured** by your banker (See par. 119) thus :—*B/P.....Dr.* £200, *To Bank* £200. In *practical work* the entry in the **Cash Book** would be on the **Cr.** side, thus :—*By B/P.* £200.

Bills Receivable always come **In** first and are therefore debited, and when paid or honoured they go **Out** and are returned to the acceptor, therefore the a/c. is then credited. **Bills payable** always go **Out** first and are therefore credited, and when paid or honoured by you they come **In** and are returned to you by the holder, therefore the a/c. is then debited. You will notice that when a bill is honoured either at the bank or in cash you do *not* debit or credit the *person*, but one of the Bill a/cs. and bank or cash. **Accounts** of **Bills** are **balanced** in the same way as other real a/cs., the *difference* of a **B/R.** a/c. representing an *asset* or bills in hand. The total *value* of the bills in your bill-case should correspond exactly with the balance of the B/R. a/c. The *difference* of a B/P. a/c. represents a *liability*, or bills which you have accepted. This balance should be compared with the total of the unpaid bills recorded in the bill book.

124. A PROMISSORY NOTE (P/N.) is an unconditional promise in writing, made by one person to another, signed by the maker, engaging to pay, on demand or at a fixed or determinable future time, a certain sum of money to a specified person or to bearer. A P/N. must always

be made out on paper *impressed* or *embossed* with an *ad valorem* (according to value) stamp, whether drawn "on demand" or not. P/N. for less than £5 payable *to bearer on demand* are illegal in England and Wales.

£100. Hull. 10th August, 1907.

One month after date, I promise to pay to Albert Pupil, or order the sum of One hundred pounds, value received

Payable at Lloyds Bank. London

Alfred Brand

125. If you compare the above with Alf. Brand's acceptance you will notice that he is the person who undertakes to pay the money in both cases, the difference between the two promises being a mere formal one. A P/N., in fact, resembles a B/E. in most of its processes, the chief difference being that it does not require accepting. It is an acceptance in itself, because it is made out by the debtor, Alf. Brand, and handed by him to you. Transactions in P/N. are journalised like bills.

126. FOREIGN BILLS. The first transaction in Ex. 35, is "*Purchased Goods from Henry Clay, Chicago*, £204 5s. 6d." The question at once arises, how shall you pay or remit to Clay this amount? The expense, trouble and risk attending the transmission of specie such a distance is too obvious to need comment. If you had an agent or a customer in Chicago the best method of settlement would be by **drawing** upon such agent or customer. On reference to Ex. 35 you will find that you have a customer at Chicago—Neal Dow—who owes £315. The best course for you to adopt then would be to draw a Bill of Exchange upon Neal Dow for £204 5 6 in favour of Henry Clay. As you merely transfer £204 5 6 from Dow to Clay, the journal Entry would be:—*Henry Clay Dr. To Neal Dow.*

No. 6. **Exchange for $1000 52c.**

Huddersfield, 20th September, 1907.

Stamp Three Shillings.

Sixty days after sight, pay this First of Exchange (Second and Third of the same tenor and date not paid) to the order of Henry Clay, the sum of One Thousand Dollars and fifty-two cents., value received, and charge the same to my account.

To Neal Dow, Esq.,
10 Sixth Avenue, Chicago, U.S.A.

ALBERT PUPIL.

127. The **drafting** of foreign bills is somewhat different to that of inland bills. Instead of merely drawing one document you draft two or three, and these are called a **"Set of Bills."** The object of this is to obviate delays and avoid inconvenience in case of the loss or miscarriage of one of them. As you will see, the only variations in the form of the three bills will be the words, *first*, *second* and *third*.

In the **First** via the words must be "*Second and Third.*"
„ **Second** „ „ "*First and Third.*"
„ **Third** „ „ "*First and Second.*"

Only that **via** of a foreign bill need be **stamped,** which is used or negotiated. In addition to the revenue stamp *impressed* in the country where it is drawn, it also requires the *adhesive* revenue stamp of the country where it is domiciled or made payable; therefore the above bill would require stamping on its arrival in the United States. On the receipt, in this country, of a foreign bill it is the duty of the holder, first, to present it for acceptance, and, secondly, to affix thereto and cancel a proper adhesive bill stamp of sufficient amount; after which the bill may be negotiated. It is customary to state the **amount** of a foreign bill in the currency of the country where it is made payable. The rate of exchange

on the day of the date of the bill is used for stamp purposes, but the rate on the day the bill is payable for purposes of payment. The absence of a foreign stamp on a foreign bill does not affect the right of any person to sue in this country, provided the bill has been stamped according to English Law.

128. PROCEDURE with **Foreign Bills.** As drawer of the above bill you would forward the *stamped copy* to H. Clay, and by a later mail a second copy, so that should the first have been lost by shipwreck, or have miscarried, the second would be available. You would retain the third copy until it was known whether either of the others had been received; if both were lost, it would require stamping and forwarding, otherwise it would be of no use, and might be destroyed, as might also the second if the first had reached its destination. By the same mail as you sent Clay his first bill, you would write to Neal Dow **advising** him of the fact, and requesting him to accept the bill when presented by Clay.

129. "AFTER SIGHT." The term of the above bill is "*Sixty days after sight*" instead of after date. By the use of this phrase in foreign bills the inequalities arising from varying distance and means of communication are equalised. The term or period of the above bill, is calculated *not* from the *date* of the *drawing* of the bill, 20th September, but from the date when the bill is **sighted** or *seen* and accepted by the drawee, Neal Dow. Hence it is very important that Clay on receiving the bill should immediately take it to Dow for acceptance and that Dow when accepting it, should note the date of acceptance, which would probably be as follows:—

"Accepted 30th September, 1907.
Payable at the National Bank, Chicago,
Due 2nd December,
Neal Dow."

Payment. When this bill arrived at **Maturity** Dow would pay the amount to Clay, Dow having debited your a/c. with the same on acceptance. You would thereby be saved the trouble and expense of remitting Cash to Clay, he having been paid by your debtor.

130. EXCHANGE is a term applied to the remittances of money between different countries, by which sums in the money of one country are exchanged for sums of equivalent value in the money of another. In other words, the method adopted by a debtor for the payment of a debt due to a foreign creditor, without the transmission of specie or coin. As a consequence of commerce there at all times exists a mutual indebtedness between countries having commercial intercourse with each other. For instance, while there are several persons in Paris indebted to others in London, there are also a number of persons in London debtors to Parisians. Therefore in case you wished to remit to B., your creditor in Paris, £100, and you had no agent, banker or debtor in that city, a good method of settlement would be by **buying a bill** payable at Paris, and forwarding it to your creditor. The question now arises, where and how are you to buy this bill? If you wished to purchase corn, cattle, leather, wool, tea, etc., you would either attend the markets at which they were sold, or employ a factor, dealer, or broker to purchase on your behalf. Foreign B/E. are to be bought in a similar way. There are **Bill Brokers** whose chief business it is to deal in B/E. Merchants communicate their wants for bills to these brokers, who also ascertain those merchants who have debtors abroad, and the brokers thus discover the side upon which the greater demand lies, for money or for bills. These brokers meet on market days, Tuesdays and Thursdays, at the Royal Exchange, London, and determine the course of the day or Rate of Exchange, between one country and another. The Rate of Exchange or *Price List of Bills* is based upon the—

131. PAR OF EXCHANGE, which means that sum in the currency of one country, which, in its *intrinsic or real value*, is equal to a specified sum in the currency of some other country. In other words, when money of the same standard and weight in one country, yields money of the same standard and weight in another, the exchange is then said to be *at par*. **Gold** and **Silver** when refined and coined into money, no matter by what country,

become of about equal fineness or purity, so that the same weights are, for all commercial purposes, of equal value. Thus, according to the mint regulations of Great Britain and France, £1 sterling is equal in its intrinsic value to 25 francs, 22 centimes of French money; and, therefore, the par of exchange between London and Paris is 25frs. 22c. If more than that sum is given us, say 25frs. 30c., the exchange is *below* par and against Paris: if, on the other hand, £1 sterling should be accounted equal only to 25frs 15c., the exchange is *above* par, being in favour of Paris and against London. It should be observed that when the exchange is favourable to a place, it is only so to the buyer and remitter of foreign bills; but unfavourable to the drawer and seller. Thus the interest of each party is identified with that of the place where his funds are; hence an unfavourable rate of exchange in any place operates as a premium for the exportation of goods, and is, so far, an advantage to that place. The variation of the rate of exchange is, however, limited to twice the cost of transmitting gold between two countries. These limits are known as—

132. SPECIE or GOLD POINT, which is that point above or below the mint par of exchange at which it becomes more profitable to export or transmit bullion than to buy B/E. The cost of transmitting bullion varies from ½% to 2%, according to distance, risks, and other circumstances, and hence it is only under exceptional conditions that the prices of B/E. rise above or fall below these limits. No merchant will ever pay a greater premium for a bill to discharge a foreign debt than would suffice to cover the expense of transmitting bullion. Some gold points on the London Exchange are:—

London on		*Mint par.*	*Gold Exports.*	*Gold Imports.*
Paris.....	Fcs.	25·22½	25 12½	25·32½
Berlin	Mks.	20·43	20·33	20·52
Amsterdam..	Fl.	12·10	12·04	12·15
Copenhagen..	Kr.	18·16	18·07	18·23
New York ...	$	4·867	4·827	4·89

The Rate of Exchange for each country is published in the daily papers on Wednesdays and Fridays in each week in the Price List of Bills, better known as the—

133. COURSE OF EXCHANGE, which means that **variable amount** in the currency of one country which at any given date, is offered for a **fixed sum** in the currency of another country. The rates of exchange are seldom at par, fluctuating daily according to the state of trade, the value of money, and other disturbing influences. The rate quoted, which is generally for drafts having three months to run, is affected principally and legitimately by the actual balance of trade between the two countries, and the consequent necessity of remittances to discharge the debts which have been contracted between them. But this effect will not be seriously felt if the general balance of trade is at the time in favour of the country having occasion to remit. If a greater amount of remittances is made to a particular place, for instance, Paris, than is received from it, the exchange will be above par; if, on the other hand, a greater amount is received from Paris than is sent to it, the exchange will be below par.

134. BILL BUYING. Your question as to where and how to purchase a bill having been answered, you would then proceed, through the medium of your broker, to communicate with the money or exchange market, whereupon you would ascertain that C., of Paris, was indebted to D., of London, in the sum of £100. You would, therefore, buy for cash at the *current rate of exchange* from D., of London, a draft from him addressed to his debtor C., of Paris, requesting the latter to pay the amount to *your order.* Having endorsed the bill in favour of your creditor, F. Basile, thus :—

Pay to the order of F. Basile,
Albert Pupil.

you would forward it to your creditor, B., of Paris, who would **present** it to C. for **acceptance.** The Journal entry would be :—*F. Basile Dr. To Cash* £100. In *practical work* the entry in the **Cash Book** would be on the **Cr.** side, thus :—*By F. Basile* £100.

In dealings with a foreign firm the Ledger a/c. will require two money columns on each side, in order to

record the transactions in both currencies. When balancing it will be found that there will be a small difference arising from the fluctuations of Exchange between the two countries. This difference must be transferred to an **"Exchange A/c.,"** the balance of the latter being carried to the P. and L. A/c. on making up the books.

Dr. **Gustave Loubet,** Rue Garibaldi 19, Paris. **Cr.**
(Standard Exchange, Fcs. 25·50=£1.)

1908		£	s.	d.	Fcs	c.	1908		£	s.	d.	Fcs.	c.
Jan. 6	To Goods	100	-	-	2550	-	Mar. 30	By Cheque	309	10	8	7815	75
,, 30	,, Goods	206	10	-	5265	75		(rate 25 25)					
Mar. 31	,, *Transfer to Exchange A/c.*	3	-	8									
		£ 309	10	8	7815	75			£ 309	10	8	7815	75

VIA OF FOREIGN ACCEPTANCE.

No. **7.**

Exchange for Fcs. 2520.

LONDON,
26th September, 1907.

Stamp One Shilling.

Thirty days after date pay this First of Exchange (Second and third of the same tenor and date not paid), to the order of Albert Pupil, the sum of Two Thousand Five Hundred and Twenty Francs, value received and charge to account, with or without advice of

Accepted. Payable at the Bank of Paris, Chevreul and Co. Due 26th October.

To Messrs. Chevreul & Co., Paris.

DANIEL & CO.

135. As there are **no days of grace** in France, the above bill would mature on the 26th October. The number of days of grace allowed in foreign countries varies. They are shown in the Table of Usance.

136. By the operation of this B/E. the convenience of all parties concerned is suited ; the London creditor is paid by the London debtor ; and the Paris creditor is paid by the Paris debtor ; consequently the two debts are paid, and not a single coin passes between London and Paris. In this example *Daniel & Co.*, are the **Drawers,** *Chevreul & Co.*, are the **Acceptors,** *Albert Pupil*

is the **Buyer** and **Endorser** of the bill, and *F. Basile* is the **Endorsee** of the bill and **receiver** of the money in Paris. Two persons here receive the money, Daniel & Co., and F. Basile, and two pay the money, Albert Pupil and Chevreul & Co.; which is just what must be done when two debtors and two creditors settle a/cs. It will thus be seen that the debtor in one country is substituted for the debtor in another, and that while B/E. are used for the payment of inland debts, they were originally intended for the discharge of foreign debts.

137. NEGOTIATION OF BILLS. The **holder** of a bill may deal with it in three different ways. He may retain it until maturity; transfer it to one of his creditors; or discount it. When dealt with by either of the latter methods it is said to be **negotiated**, or *put into circulation*, which is the act of freely assigning or transferring a bill, with or without endorsement, either under discount or otherwise, to another person. For instance, suppose you hold an Acceptance by John Kerr for £100, and at the same time you are indebted to Joel Day in the sum of £100 or more, you may transfer to Day, Kerr's bill in payment of your debt. Such a transaction, involving the **out** going of a bill, would be journalised thus :—*Joel Day Dr. To B/R.*

138. DISCOUNTING is a method frequently resorted to, particularly if the holder is urgently in need of cash. To **discount** a bill is to obtain money for a bill before it is due, interest being charged for the accommodation. On reference to Exercise 36, Oct. 8th, you will find that B. Astor gave you his acceptance at one month for £500, and that on the following day you discounted same, Cash received £497 18s. 4d., Discount charged £2 1s. 8d. It appears from the latter transaction that you took the bill and **endorsed** it either to your banker or to a bill discounter, who, after being satisfied as to the solvency of B. Astor, paid you the £500, less one month's interest at 5%. The deduction of £2 1s. 8d., although really interest, is called discount. It is the banker's profit on the loan, and your loss for getting the money before it was due. As the Cash comes **In** and

the Bill goes **Out,** the above transaction would be journalised thus :—*Cash*..... .....*Dr.* £497 18 4
Discount A/c. ... ,, 2 1 8
To B/R.....£500.

In *practical work* the entry in the **Cash Book** would be on the **Dr.** side, being careful to put the discount in that column thus :—*Oct.* 9, *To B/R.* £2 1 8, £497 18 4.

Although you may *generally* regard a bill thus negotiated as finally disposed of, there does exist, however, on account of your endorsement, a "contingent liability" in respect thereof, until the same is paid by the acceptor.

139. THE RATE OF DISCOUNT varies according to the nature of the bill, being considerably higher if any suspicions are entertained of the punctuality or solvency of the parties subscribing the bill. The charge also varies according to the state of the money market, and is very much influenced by the Bank Rate.

140. DISHONOURED BILLS are those which either the drawees refuse to accept, or the acceptors fail to pay or meet when due. From this transaction, "Oct. 24,
Terry's acceptance due this day returned dishonoured £75 6 8
Paid Notarial charges thereon.... - 3 4"
it would seem that Terry, on the maturity of this bill, was either unable or unwilling to fulfil his promise to pay you the above amount. Unless your banker had already done so, it would be your duty, immediately on the return of the bill, to place it in the hands of a **Notary Public** (N/P.) who is generally a solicitor, part of whose business it is to present dishonoured B/E. and note and protest their non-acceptance or non-payment.

141. NOTING A BILL is the presenting of a non-accepted or dishonoured bill and demanding acceptance or payment thereof, at the Bank where it is made payable, or to the acceptor himself by the Notary Public, *on the day of dishonour*, as an official **proof** of the **demand** having been duly made, and if it is not then accepted, or paid, he **notes** its non-acceptance, or non-payment by writing upon a slip, which he attaches to the bill, the reply he receives (such as "*No Funds*," "*Refer to*

Drawer," "*No Orders*," &c.) so that should the bill be a foreign one he may subsequently draw out a **protest,** which is a legal documentary declaration by a N/P.

The **measure of damages** on dishonour of a bill are :—(*a*) the amount of the bill ; (*b*) interest from the time of presentment for payment if the bill is payable on demand, or from maturity in any other case ; (*c*) expenses of noting, or (when protest is necessary and has been extended) of protest. In case of a bill dishonoured abroad, in lieu of the above damages (*a*) re-exchange ; (*b*) interest thereon till payment.

NOTING TICKET.

J. NEWTON & SONS, Notaries,

10, *Birchin Lane,*

Noting 3/4.

NO ORDERS TO PAY.

BANKER'S TICKET.

	£	s.	d.
Bill - - - - -	75	6	8
Noting - - - - -		3	4
Postages - - - - -			6
Interest - - - - -			
	75	10	6
Commission - - - -		3	10
	75	14	4

Beckett & Co.

142. Terry's acceptance having been duly noted according to the requirements of the law, your next duty would be, if you had received the bill by endorsation, to give immediate **notice of dishonour** in writing to the drawer and each endorser; as in the absence of such notice the drawer and endorser would be discharged from any liability respecting the bill. The object of giving such notice is to make them aware of the dishonour, so that you may, if necessary, have **recourse**—that is, call upon either the drawers or any of the endorsers, to pay the bill, together with the interest and expenses. As you were presumably the drawer and the only endorser in this instance, no notice of dishonour would be necessary.

143. TRANSACTIONS ON DISHONOUR. Although Terry's bill was dishonoured he still owes you the amount, and you will therefore debit his a/c. with the amount of the bill, as well as the **cost of noting,** thus :—

Wolsey Terry.....*Dr.*	£75	10	
To B/R. (Dishonoured)	£75	6	8
,, *Cash (Noting)*		3	4

In *practical work* the dishonoured bill only would be journalised as above, an entry being made in the **Cash Book,** on the **Cr.** side in respect of noting, thus :—

Oct. 24. *By Wolsey Terry (Noting Exs.)* 3 4

If the bill had been sent to the **Bank** for collection, the Bank would have been debited and B/R. credited; therefore on dishonour and return of the bill you would journalise thus: *W. Terry, Dr. To Bank.* In *practical work*, however, the record would be made in the **Cash Book,** on the **Cr.** side, in the Bank column, thus :—

By W. Terry (Dishonoured Bill and Noting) £75 10

And where the bill has been purchased under discount, or received in payment of an a/c., you would debit the a/c. of the person from whom you bought or received the bill, thus :—*A. Blank, Dr. To B/R.* Should you have **discounted** the bill with a Discount Co., or paid it away to a creditor, on its return, with notice of dishonour,

you would owe the Discount Co., or Creditor the full amount thereof, and would therefore journalise :—

Wolsey Terry, Dr. To Discount Co., or A. Creditor.

144. RENEWED BILLS. To renew a bill is to accept a new B/E. in place of a former one which the acceptor was unable to honour when due. Sometimes the acceptor of a bill finding himself unable to meet it on its maturity requests to be allowed to renew it. If the holder is satisfied as to the solvency of the acceptor he will comply with the request, on condition that the acceptor pays for the new bill stamp, and interest on the amount for the extended period. The transaction :—

"Nov. 28. J. Keen retired his acceptance for £811 1 - due to-day with a 2 mos. Bill including Int. for £835 7 8."

shows that you have granted an extension of time to Keen. The old B/R. is cancelled and consequently goes **Out,** while a new one comes **In,** the interest being a gain.

In *practical work* the old B/R. and the interest would be debited to Keen in the Journal :—

James Keen, Dr. To B/R. £811 1 -
James Keen, Dr. To Interest £24 6 8

while the new bill would be entered in the B/R. Book.

If you had received such a favour from a creditor, the entry would have been as follows :—

B/P.....Dr. To Creditor £811 1 -
Interest . ...Dr. To Creditor £24 6 8.

and the new bill entered in the B/P. Book.

In the case of the renewal of a bill which has been previously **dishonoured,** as :—

"Nov. 18. J. Keen forwards his acceptance at seven days, with noting expenses and Interest £811 1 -"

It would be journalised thus :—

James Keen.....Dr. To Interest £10 - -
B/R. .....Dr. To James Keen £811 1 -

In *practical work* James Keen would be debited with interest through the Journal :—*James Keen, Dr. To*

Interest £10, and the new bill would be recorded in the B/R. Book.

When a bill is partly paid, and **partly renewed** as :—

"A. Brown settles dishonoured bill for £400 by paying Cash £200, and accepting our draft at two months for £201 including interest."

an entry must be made in the Journal :—*A. Brown, Dr. To Interest* £1 ; the Cash entered in the C/B. : *To A. Brown* £200 ; and the B/R. recorded in the B/R. Book.

145. RETIRING BILLS PAYABLE. If at any time you preferred to pay or **retire** one of your own acceptances before arriving at maturity, for the purpose of gaining **rebate ;** (that is, the interest of the unexpired term), it would be called *retiring under discount.* The transaction :—" Nov. 16. Retired our bill due 30th Nov., by cheq., £717 5, and was allowed dis. £2 15" would be journalised thus :—

Nov. 16. *B/P.....Dr.* £720

To Bank..... .....£717 5 -

„ *Discount A/c.* ..... 2 15 -

In *practical work* the entry in the **Cash Book** would be on the **Cr.** side ; discount in the first column thus :—

Nov. 16. *By B/P.*, £2 15 -; £717 5 -.

REBATE ON BILLS DISCOUNTED, is an item which often occurs among the Liabilities in the B/S. of a Bank, and refers to *unmatured discounted bills on hand*, similar to the one mentioned in par. 138. This Rebate is the *difference* between the present or actual value of the bills (the amount for which they might be re-discounted) and their face value. Having debited the "Bills Discounted A/c." with the face value of the bills, it is necessary for the banker to ascertain the actual value of those still current before preparing the B/S., otherwise the assets would be over-estimated ; for a bill is worth its face value only when it matures. At the *closing* of the books each half-year the *whole* of the discount on such unmatured bills has *not* been *earned* by the Bank ; and the *portion unearned* must therefore be *carried forward* to the following half-year. For example, suppose that the Bank has discounted a 3 mos. bill for £1000, dated

29th Nov., 1906, on that date, at 5%, the profit, or discount thereon of £12 5 - would be *credited* to the Discount A/c. As this Bill would not mature until 2nd March, only £4 1 8, being one-third of the discount, would have been *actually earned* during the period ending 31st Dec.; consequently the balance of £8 3 4, which is *earned* from 1st Jan. to 2nd Mar., 1907, must be *debited* to the Discount A/c. for 1906, and brought forward on 31st Dec. as a *liability*. This adjustment is recorded in the Journal, thus :—

1906. *Dec.* 31, *Discount A/c....Dr.* £8 3 4.
1907. *Jan.* 1, *To Discount A/c.* £8 3 4

Dr. **Discount A/c.** **Cr.**

1906		£	s.	d.	1906		£	s.	d.
Dec. 31	To Discount.....c'd	8	3	4	Nov.29	By B/R.	12	5	-
	,, P. & L. A/c. ...	4	1	8					
	£	12	5	-		£	12	5	-
					1907				
					Jan. 1	By Discount.....b/d	8	3	4

146. In **practical work** it is found necessary to keep two **BILL BOOKS;** one for recording B/R. and the other for B/P., although in some offices only one volume is used, B/R. being entered at one end and B/P. at the other end of the same book. (See next page).

In working **exercises** containing transactions in bills you will find it convenient to arrange the B/R. Book underneath the Dr. side of the Cash Book, and the B/P. Book underneath the Cr. side of the C/B.

147. THE BILLS RECEIVABLE BOOK must contain at least, the date of the bill, the name of the acceptor, the term, when due, and the amount. Another usual column is headed *How disposed of*, in which you would insert one of the following: *Paid to Bank, 2nd May; Paid to Joel Day, 5th June; Discounted 9th July;* &c. As the persons from whom you receive bills are your debtors, each amount must be **posted** to the **Cr. side** of its respective personal a/c. in the Ledger:

Date; By B/R.; Fol.; Amount.

As this book contains particulars of bills coming **in** the **total** thereof must therefore be posted to the **Dr. side**

of the B/R. A/c. in the Ledger by entering the :—
Date ; To Sundries B/B. ; Fol. ; Amount.

BILLS RECEIVABLE BOOK. (Ex. 36. p. 142.)

Date.	From whom received.	Term.	When due.	Led. Fol.	Amount.		
1907					£	s.	d.
Oct. 8	Bruce Astor	1 mo.	Nov. 11		500	-	-
,, 11	Wolsey Terry	10 days	Oct. 24		75	6	8
,, 17	Bruce Astor	3 mos.	Jan. 20		250	15	6
,, 26	Bruce Astor	3 mos.	,, 29		375	-	-
			B/R. A/c. .....Dr.	£	1201	2	2

148. THE BILLS PAYABLE BOOK must contain at least the date of acceptance, to whom given, the term, when due, and the amount. The persons to whom you give bills being your creditors, each amount must be **posted** to the **Dr. side** of its personal a/c. in the Ledger by entering the :—*Date ; To B/P. ; Fol. ; Amount.*

This book containing particulars of Bills going out must therefore have its **total** posted to the **Cr. side** of the B/P. A/c. in the Ledger, by entering the :—

Date ; By Sundries B/B. ; Fol. ; Amount.

BILLS PAYABLE BOOK. (Ex. 36. p. 142.)

Date.	To whom Given.	Term.	When due.	Led. Fol.	Amount.		
1907					£	s.	d
Oct. 5	Seth Riley	21 days	Oct. 29		400	-	-
,, 17	Seth Riley	2 mos.	Dec. 20		300	-	-
			B P. A/c. .....Cr.	£	700	-	-

149. When **Interest** is involved in transactions relating to Bills be careful to journalise the same.

A Bill Book may be ruled so as to accommodate not only the detailed record of the bills, but also the account, as per the second example given on the next page of a **Bills Receivable Ledger.**

BILLS RECEIVABLE BOOK.

No. of Bill	Date Recd.	From whom Received.	Drawers.	Acceptors	Where Payable.	Date of Bill.	Term.	When Due. Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	S.L. Fol.	Amount of Bill.	How disposed of.
47	1905 Feb. 15	H. Bates	Self	H. Bates	Lloyds	Feb. 12	3 mos.					15								18	£840	Discounted Parr's Bank.
48	Mar. 15	Do.	Do.	Do.	Do.	Mar. 12	4 mos.							15						18	1300	Do.
49	May 16	T. Kay	Do.	T. Kay	Coutts	May 11	3 mos.								14					20	1000	
																					£3140	

BILLS RECEIVABLE LEDGER. Dr. Cr.

No. of Bill.	Date Recd.	From whom Recd.	Where Payable.	Date of Bill.	Term.	When Due. Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov	Dec.	S.L. Fol.	Amount of Bill.	How disposed of.	Date when Cash Recd.	C.B. Fol.	Amount of Cash and Discount.

Exercise 34.

A Pupil's affairs on the 1st August, 1907, stood as follows:—

(*See top of next page.*)

	Cash in hand £47 15, and at Bank	£987	5 -
	Stock of Cloth	675	- -
	J. Salt's Promissory Note due 15th August	148	- -
	Lewis Mart's Bill due 23rd Aug.	50	- -
	Balance due from Matthew Paul	72	- -
	,, to Merchant & Co.	107	10 -
	Acceptance given to A. Brown	100	- -
	P/N. given to D. Jones, due 28th August	115	- -
	Capital	1657	10 -
Aug. 1.	Sold to Alfred Brand, Goods	125	- -
,, 1.	,, Goods for cheque: sent it to Bank (91)	56	- -
,, 1.	,, to Lewis Mart. Goods	95	- -
,, 2.	Bought of Merchant & Co., Goods	254	- -
,, 4.	Paid Merchant & Co., cheque 105 - -		
	They allow discount 2 10 -	107	10 -
,, 5.	I honoured my acceptance to A. Brown, by forwarding cheque for (123)	100	- -
,, 6.	Sold to Matthew Paul, Goods	87	15 -
,, 6.	Received from Matthew Paul, Cash 71 2 -		
	I allowed him discount 18 -	72	- -
,, 10.	Recd. from A. Brand, his acceptance at 1 mo. for £100, and cash for £25 (123 & 147)	125	- -
,, 14.	Bought Goods and paid cheque for them	73	10 -
,, 15.	Sold Goods for cash up to this date	158	5 -
,, 15.	Paid into Bank (90)	250	- -
,, 15.	J. Salt paid cash to meet his P/N. (123)	148	- -
,, 16.	Paid into Bank (90)	148	- -
,, 18.	Accepted Merchant's draft at 3 mos. (123 & 148)	200	- -
,, 18.	Lewis Mart paid to my Bank A/c.	80	- -
,, 18.	Sold to Alfred Brand, Goods	96	- -
,, 18.	,, Matthew Paul, Goods	62	5 -
,, 23.	Lewis Mart duly met his bill at the Bank (123)	50	- -
,, 24.	Received from M. Paul, cash £35, and his acceptance at 2 mos. for £75 (123 & 147)	110	- -
,, 28.	My Banker paid cash to D. Jones to lift my P/N. due to-day (119, 123)	115	- -
,, 29.	L. Mart is insolvent; I receive for his debt of £15 a composition of 12/6 in the £ (74 & 95*a*)	9	7 6
,, 30.	Sold Goods for Cash up to this date	176	10 -
,, 30.	Bought Do.	97	15 -
,, 31.	Paid into Bank (90)	140	- -
,, 31.	Trade Exs. paid by Cash, £7 15s.: by Cheque	42	5 -

Estimated value of Goods in Stock, £396.

Answer:—*Gross Profit*, £152 10 - *Net Profit*, £98 9 6.

N.B. Journalise the opening entries of Ex. 34 thus :—

Aug, 1.	*Cash*	*Dr.*	£47	15	-		
	Bank	,,	987	5	-		
	Cloth	,,	675	-	-		
	Bills Receivable	,,	198	-	-		
	Matthew Paul	,,	72	-	-		
	To Merchant & Co.					107	10 -
	,, *Bills Payable*					215	- -
	,, *A. Pupil's Capital A/c.*					1657	10 -
			£1980	-	-	£1980	- -

Supplementary Exercise 34a.

On 1st Jan., 1907, David Swanson's state of affairs was as follows : Cash at Office £28, at Bank £300 owing by William McLeod £40, James Hendry £164, John Graves £70, Samuel Hall £50. Goods in stock valued at £300.

He owed David Evans £160, Edward Kellett £52.

1907.	*Transactions.*	£
Jan. 2.	Received from J. Hendry his acceptance at 1 month for (123 & 147)	100
,, 3.	Sold to George Lee, Goods.....	70
,, 5.	Gave David Evans my acceptance at 1 month for (123 & 148)	90
,, 8.	Purchased Goods from Walter Marshman	67
,, 13.	S. Hall gave me his P/N at 1 month for (123 & 147) ..	50
,, 20.	Gave W. Marshman P/N at 1 month for (123 & 148)..	67
,, 23.	Paid David Evans by Cheque	50
,, 25.	Sold Goods on credit to Samuel Hall	200
,, 27.	Wm. McLeod handed me his acceptance at 2 months for (123 & 147)	40
,, 30.	Sent Edward Kellett acceptance at 2 months for (123 & 148)	52
,, 31.	Paid Trade Expenses for month in cash	25
,, 31.	Drew Cheque for Private Expenses (78)	40
Feb. 1.	Sold Goods to John Graves.....	40
,, 5.	Bank received amount of J. Hendry's acceptance due to-day (123)	100
,, 8.	Paid my acceptance due this day by cheque (123)....	90
,, 10.	Purchased Goods from Edward Bailey	90
,, 13.	Accepted Bailey's draft at 3 months for (123 & 148) ..	90
,, 15.	Sold Goods to John Graves.....	30
,, 16.	S. Hall pays amount of P/N due this day into my Bank (123).....	50
,, 20.	John Graves sends his bill at 2 months (123 & 147) ..	140
,, 23.	Honoured my P/N due to-day by cheque (123)	67
,, 24.	Purchased Goods from Edward Kellett	100

		£
Feb.27.	Drew from Bank for Office Cash	30
,, 28.	Paid Trade Expenses from Office Cash	25
,, 28.	Drew Cheque for Private Expenses (78)	30
,, 28.	Allow Interest on Capital for 2 months at 5% per ann. (71). *Goods in stock* £300.	

Answer:—*Gross Profit* £83; *Net Profit* £26 16 8; *Balance of Cap.* £703. *Total of B/S.* £965.

Supplementary Exercise 34b.

On 1st March, 1907, David Swanson's state of affairs was as follows:—Cash at Office £8, at Bank £143, Stock of Goods £300, McLeod's acceptance due 30th March, £40, Graves Bill due 23rd April, £140, owing by James Hendry £64, Samuel Hall £200, George Lee £70.

Owing to David Evans £20, Edward Kellett £100, B/E. granted to Edward Kellett, due 2nd April £52, Bailey, due 16th May £90.

1907.	*Transactions.*	£
Mar. 1.	Drew 2 months' Bill on J. Hendry which he accepted for (123 & 147)	64
,, 2.	Sold Goods to John Graves	80
,, 3.	Lee accepted my draft at 3 months for (123 & 147) ..	70
,, 5.	Bought Goods from Edward Bailey	150
,, 7.	Accepted Kellett's draft at 1 month for (123 & 148) ..	70
,, 9.	Discounted Hendry's acceptance at Bank for £63 10 - (138)	64
,, 10.	Sold John Graves Goods	70
,, 10.	John Graves sent me his P/N. at 1 month (123 & 147)	100
,, 15.	Bought Goods from Isaac Barrow	100
,, 19.	Edward Bailey drew on me a 2 months' bill for.....	120
,, 19.	Sold Goods for Cash and paid into Bank.....	90
,, 29.	Drew from Bank for Office Cash	35
,, 30.	Paid Salaries and Sundry Expenses for month	30
,, 30.	McLeod honoured his bill due to-day by cheque (123)	40
April 2.	Met acceptance due to Kellett to-day by cheque (123)	
,, 9.	Retired my acceptance to E. Bailey by cheque, Rebate 10/- (145)	120
,, 10.	Paid E. Kellett's draft due to-day by cheque (123) ..	
,, 12.	Sold Goods to Gavin Hamilton	60
,, 13.	J. Graves met his P/N.; lodged proceeds in Bank (123)	
,, 17.	Returned Goods to Isaac Barrow not according to sample (162)	6
	(*Journalise:—Isaac Barrow, Dr. To Goods*).	
,, 19.	Discounted George Lee's acceptance; cash received lodged in Bank, Discount charged 7/- (138)	
,, 19.	Drew on Samuel Hall at 2 months for (123 & 147) ..	150
,, 19.	Goods sold to James Hendry	75

		£
Apr. 23.	J. Graves' Bill due to-day received by cheque (123)	140
,, 25.	Drew cheque for Private Expenses (78)	40
,, 27.	Handed E. Kellett my P/N. at 1 mo. for balance of a/c. (123 & 148)	30
,, 29.	Drew from Bank for Office Cash	30
,, 30.	Sold Goods to Fred Mitchell for Cash	70
,, 30.	Paid Trade Expenses for month	25
	Stock £250.	

Answer:—*Gross Profit*, £151; *Net Profit*, £95 13 -; *Balance of Cap.*, £758 13 -; *Total of B/S.*, £1022 13 -.

Exercise 35.

1907.		£ s. d.
Sept. 1.	My books were opened with these balances:—Cash in hand £75, in Bank £850, Goods £925, B/R. £132 15, B/P. due 15th Sept. £246, Aldred Boyd owes me £67 10, Neal Dow, of Chicago, owes me £315. I owe Fritz Basile, of Paris, £100; I owe Dore & Co.	154 - -
Sept. 1.	Purchased Goods from Hy. Clay, Chicago	204 5 6
,, 2.	Sold Edward Frome, Goods	28 5 -
,, 2.	Bought of Dore & Co., Goods	112 10 -
,, 5.	Sold Frank Gray, Goods	37 15 -
,, 5.	Pd. Dore & Co., Cash, £50; My Prom. Note at 2 mos. for £100; allowed dis. £4 (123, 148)	154 - -
,, 10.	Drew from Bank (90)	125 - -
,, 10.	Bought Goods for Cash	136 - -
,, 11.	Sold Aldred Boyd, Goods	48 15 -
,, 11.	Sold Neal Dow, Goods	56 10 -
,, 12.	Recd. from Aldred Boyd, £97 10. Dis. 50/-	100 - -
,, 14.	Recd. acceptance from N. Dow, due Nov. 20th	75 - -
,, 14.	Sold Goods for Cash up to this date	205 - -
,, 15.	Paid into Bank	250 - -
,, 15.	B/P. due to-day, paid by cheque (123)	246 - -
,, 20.	Sold Edward Frome, Goods	64 16 -
,, 20.	Forwarded H. Clay, draft at 60 days after sight upon Neal Dow, for (126)	204 5 6
,, 22.	Sold Goods to Tom Fox for a P/N. @ 3 mos. (123, 147)	72 10 -
,, 23.	Edward Frome pays £58 10s. Dis. 30/-	60 - -
,, 25.	A. Boyd becomes insolvent and pays a Composition of 12/- in the £; I receive (74, 95a)	9 15 -
,, 25.	B/R. duly met in cash (123)	132 15 -
,, 26.	Bot. with Cash a bill on Paris and sent same to Fritz Basile in settlement of a/c. (134)	100 - -
,, 30.	Sold Goods for Cash up to this date	184 5 -
,, 30.	Paid into Bank	260 - -
,, 30.	Pd. Exps. this month by cheque £25, by cash	7 10 -
	Value of Goods unsold, £755.	

Answer:—*Gross Profit*, £75 0 6. *Net Profit*, £36 0 6.

Exercise 36. (See page 136).

Albert and Leo Pupil's Capital of £2000 each consists of Cash £3000; Wool £1000. Profits to be divided equally. 1st Oct., 1907.

Oct.	1.	Paid into Bank	£2500	-	-
,,	1.	Paid Cash, carriage on Wool (75)	10	5	9
,,	3.	Bought of Seth Riley, Wool.....	715	10	6
,,	4.	Sold to Bruce Astor, Wool	557	12	6
,,	5.	Pd. S. Riley, by Cheque, £310; Accepted his draft at 21 days, £400; Dis. £5 10 6 (123)	715	10	6
,,	8.	Recd. of B. Astor, Cash £50; his acceptance at 1 mo. £500; Dis. £7 12 6 (123, 147) ..	557	12	6
,,	9.	Bought of Seth Riley, Cottages (81)	965	-	-
,,	9.	Discounted B. Astor's acceptance, Cash recd. £497 18 4; Dis. charged £2 1 8 (138) ..	500	-	-
,,	10.	Sold Wolsey Terry, Wool.....	75	6	8
,,	11.	Bought £1300 Canal Shares @ £75, and paid for them by cheque (83)	975	-	-
,,	11.	Received of Terry his 10 days' Acceptance ..	75	6	8
,,	14.	Received Cash for Sale of Waste Wool.....	12	5	7
,,	15.	Paid in Cash, Legal Charges on Purchase of Cottages (*Debit Cottages and Credit Cash*) ..	20	10	6
,,	16.	Sold Wool to Wolsey Terry.....	25	10	-
,,	16.	Do. Bruce Astor	250	15	6
,,	16.	Do. for Cash.....	75	12	9
,,	17.	B. Astor accepted our draft at 3 mos. (123,147)	250	15	6
,,	17.	Remitted S. Riley by Cheque, £165; and our Acceptance @ 2 mos. £300 (123, 147)	465	-	-
,,	21.	Paid Wages in Cash (*Debit P. & L. A/c.*)	7	8	9
,,	22.	Discounted B. Astor's Acceptance, paid proceeds into Bank £245; Dis. charged £5 15 6—	250	15	6
,,	24.	Wolsey Terry's acceptance dishonoured (143)	75	6	8
		Paid Notarial Charges.....	-	3	4
,,	25.	Sold for Cash £400 Canal Shares @ £80 (83).	320	-	-
,,	25.	Sold four Cottages to B. Astor (81).....	430	-	-
,,	26.	Bruce Astor paid into my Banking a/c.....	125	-	-
		And accepted draft at 3 mos. for (123, 147)	375	-	-
,,	28.	Terry has become insolvent; we recd. a Composition of 15/- in the £, pd. to Bank (74).	75	15	-
,,	29.	Our Acceptance duly honoured at Bank (119)	400	-	-
,,	29.	Recd. Cash for Rent .....£26 5 - - (81)			
,,	29.	Do. Canal Dividend .. 15 - - —	41	5	-
,,	30.	Drawn from Bank on Private a/c. :—(78)			
		A. Pupil and L. Pupil, each £12 10 -	25	-	-
,,	31.	Credit each partner Int. on Cap., £8 13 4 ..	17	6	8

Value of £900 *Canal Shares @* £77, £693; *Cottages* £600; *Wool* £800.

Answer:—*Gross Profit on Wool*, £71 6 9; *on Canal Shares*, £38; *on Cottages*, £44 9 6. *Net Profit*, £135 1 8. *Balance of each Capital A/c.*, £2063 14 2. *Total of B/S.* £4997 8 4.

CONSIGNMENTS.

150. CONSIGNMENTS sent out. To send goods "on consignment" differs from sending them in fulfilment of "an order," in that there is generally no order at all. A "consignment" is a transaction where goods are sent to another town, but more frequently to a foreign country, to an agent known as a **factor,** who, for a commission, on the amount realised, sells such a "consignment" at the best price obtainable. When you (the *consignor*) "consign" goods you merely transfer them from your own warehouse to that of the factor (the *consignee*) for sale, in the hope of making a profit. Such an **outward** consignment is sometimes called an **Adventure,** because it is something risked.

A special subsidiary book, known as the **Consignment Book Outwards,** should be kept for recording such transactions; on a plan similar to the Sales Book. After entering full particulars of the "consignment" therein, you would copy from it the invoice to be sent to the factor, the consignee; who, although he is not the purchaser, must be supplied with a **pro forma invoice** (for form's sake), so that he may have information as to the value of, and charges upon, the goods.

Transaction "Nov. 17. Sent to Robert Keld, Newcastle, to be sold on our a/c. 84 chests Congou, 7200 at 2/- lb. £720."

Not having sold the tea to Keld you cannot charge his personal a/c. with the amount. He merely holds and warehouses the goods *on your behalf*, and therefore does not owe you for their value You must open and debit a **special goods a/c.** entitled "*Consignment of Tea to R. Keld, Newcastle.*" This a/c. must be dealt with like a separate Goods A/c. You will debit it with the cost of the goods, also all charges and expenses incurred in respect thereof, which increase the cost of the consignment, such as carriage, cartage, freight, storage, insurance, duty, commission, &c.; and credit it with all

receipts from Keld in respect of sales effected by him, also for any portion of the goods returned by him. The entry for the above transaction would either be made in the Consignment Book and duly posted from there or journalised thus :—

Consignment of Tea to R. Keld . ...Dr. £720.
To Tea A/c.....£720.

The transaction :—

"Nov. 19. Paid in Cash **carriage** on Tea consigned to Newcastle.....£10 13 4"

would either be entered in the C.B. or journalised :—

Consignment of Tea to R. Keld (Carr.) Dr. £10 13 4
To Cash.....£10 13 4

It is a common practice for the *consignee* to **advance** to the *consignor* on security of the consignment, by means of a B/E., a sum of money, not exceeding three-fourths the value of the goods ; for instance :—

"Nov. 22. Received from Robert Keld, bill at one month, as an advance on Consignment of Tea £300."

As Keld, the *consignee* may never sell this Tea, this amount, although advanced by him to you as against the goods, must *not* be credited to the Consignment a/c., but to Keld's **personal a/c.** In case the Tea should be returned to you, then Keld would be your creditor for £300. This B/R. from Keld you would either enter in the Bill Receivable Book, or journalise thus :—

B/R. Dr. £300. *To Robert Keld* £300.

If, however, the above amount had represented a **sale** by Keld of £300 worth of the Tea consigned, and he had remitted a bill for the amount, then you would have entered the B/R. in the Bill Book, *and* journalised thus :—

Robert Keld Dr. To Consignment of Tea, £300.

151. ACCOUNT SALES (A/S.) On sale of the tea, R. Keld would render to you particulars thereof known as "Account Sales," which is a detailed statement of goods sold on commission, sent by a *consignee* to the *consignor* of goods. It resembles an Invoice in showing

the weight of the goods sold, the prices realised, and the net result after deducting the freight, commission and all other expenses attending the sale. An A/S. is also delivered to a merchant by his broker, when the latter has sold goods at a public auction on the merchants a/c. In this case the weight of each lot sold, the prices obtained, and the net proceeds of the sale would be shown, after deducting the cost of advertising, the sale expenses, and the broker's commission.

152. An **Account Sales Book** of some description should be kept for recording the sales of goods sent "on consignment." It may either be a separate book, or the *Consignments Book Outwards* could be used ; the left-hand page being used for details of the goods sent, and the right-hand page reserved for details of the result—the Account Sales. Or an **Account Sales Guard Book** might be employed, similar to the *Bought Guard Book* explained on page 87.

Account Sales of 84 Chests Congou sold on a/c. of Messrs. Pupil Bros., Huddersfield.

R.K.			Per lb	£	s.	d.	£	s.	d.
18/4	42	*Congou* 3600 *lbs. net*	2/3				405	-	-
	42	*Do.* 3600 ,,	2/4				420	-	-
							825	-	-
		Charges							
		Insurance		8	-	-			
		Cartage		2	15	-			
		Storage		9	10	-			
		Commission @ 3%		24	15	-	45	-	-
		Net Proceeds					780	-	-
		Remitted Bill on a/c					300	-	-
							£480	-	-

E. & O. E.

Newcastle, 25th November, 1907.

ROBERT KELD

153. The receipt by you of the above A/S. is a "transaction" and would be described thus :—

"Nov. 26. Received from R. Keld, Newcastle, A/S. showing that Tea had realised net £780."

Having sold your Tea, Keld is now indebted to you for the *net* amount realised, therefore debit his **personal** a/c., and journalise as follows :—

Robert Keld.....Dr. £780,
To Consignment of Tea to Keld.....£780

If Keld had not made a remittance to you on a/c. before the sale of the Tea, and when forwarding his A/S. had enclosed a cheque or sight draft in payment of the whole of the net proceeds, a personal a/c. with Keld would *not* have been absolutely necessary, in which case the transaction would have been stated thus :—

"Received from R. Keld, Newcastle, A/S. showing that Tea had realised net £780, and enclosing his cheque for the amt." and would either have been entered in the Cash Book :—
"*To Consignment of Tea to R. Keld,* £780," or journalised :—
Cash Dr. £780. *To Consignment of Tea to R. Keld,* £780.

154. When freight, carriage, insurance, &c., are due but not actually paid, open a Suspense A/c. for these **outstanding expenses,** and credit it with the total of the various charges. In **closing outward** Consignment A/cs., when the whole of the goods consigned have been sold and A/S. rendered to you, the *difference* is either a profit or a loss, and must consequently be transferred to the P. & L. A/c. Should the whole or any part of the consignment remain **unsold,** the value of such *stock* should be credited to the a/c., which is balanced in the same way as a goods a/c., the *difference* being carried to the P. & L. A/c. and the balance or stock brought down.

Dr. Consignment of Tea to R. Keld. (Ex. 37.) Cr.

1907		£	s.	d.	1907		£	s.	d.
Nov. 17	To Tea	720	-	-	Nov. 26	By A/S.	780	-	-
,, 19	,, Carriage	10	13	4					
,, 30	,, *P. & L. A/c.* ...	49	6	8					
	£	780	-	-		£	780	-	-

Dr. **Robert Keld.** (Ex. 37.) **Cr.**

1907		£	1907		£
Nov. 26	To Consignment of Tea.....	780	Nov. 22	By B/R	300
			,, 30	,, *Balance* ....c/d	480
	£	780		£	780
Dec. 1	To Balance ....b/d	480			

Dr. **Consignment** TO (H. POOLE) **Smyrna.** Ex. 47.) **Cr.**

1890		£	s.	d.	1890		£	s.	d.
Jan. 1	To Balance ....b/f	680	-	-	Jan. 15	By Draft.....	750	6	8
,, 6	,, Angles.....	640	-	-	,, 28	,, Draft.....	420	-	-
,, ,,	,, Freight, Chgs.	56	2	9	,, 31	,, *Bal.* (*Stock*) c/d	338	4	6
,, 31	,, *P. & L. A/c.* ..	132	8	5					
	£	1508	11	2		£	1508	11	2
Feb. 1	To Balance ....b/d	338	4	6					

155. CONSIGNMENTS received. An **inward** consignment is the transference of goods to you, the *consignee*, by the *consignor*, for sale on commission.

Transaction :—" Nov. 4. Received consignment from H. Vint, Java, of 40 tierces of coffee, invoiced at £600."

There are **two methods** of dealing with Consignments *Inwards;* the theoretical and the practical. Theoretically **no entry** is needed in your Ledger on the receipt of a consignment of goods such as the above. You have *not ordered* and are therefore not liable for the value of the goods until sold. Although no a/c. is required to be opened in the Ledger, you must, however, *record* the receipt by you of the consignment in the **Consignment Book Inwards;** the particulars being obtained from the *pro forma* invoice supplied by the *consignor.*

Transaction :—" Nov. 6. Paid in cash Freight on Consignment from H. Vint....£30 6 8."

Now that you have made a payment in respect of Vint's consignment you must open a **personal** a/c. with him, and debit him with all payments made by you in respect of the consignment of coffee, and credit him with the amount realised on sales. Either enter in the

C/B. "*By Hugh Vint, (Freight)* " or journalise :—

"*Hugh Vint (Freight)... .....Dr. To Cash* £30 6 8."

Transaction :—"Nov. 9. Remitted a Bill on a/c. of consignment of Coffee for £400" would either be entered in the B/P. Book or journalised "*Hugh Vint Dr. To B/P.* £400."

Transaction : "Nov. 12. Sold Keen, Coffee from Vint, £145 11."

Transaction : "Nov. 14. Sold Keen, Coffee from Vint, £180."

In both cases journalise, *debiting* Keen and *crediting* Vint.

Transaction : "Nov. 15. Placed to our own a/c. H. Vint's Coffee, £210."

Enter either in Bought Book or journalise :—

Coffee A/c. Dr. To Hugh Vint.

Transaction :—"Nov. 25. Forwarded A/S. of Coffee to H. Vint. Commission charged..£26 15 8."

This commission is your profit for effecting the sales, therefore journalise, *debiting* H. Vint and *crediting* **Commission A/c.** The *difference* of the latter A/c. must be carried to the P. & L. A/c. when closing the books.

From the above transactions you will see that an **inward** consignment is dealt with exactly like a **personal** a/c ; and the *difference* represents either a balance due to you or by you.

Dr. **Hugh Vint.** (Ex. 37.) **Cr.**

1907		£	s.	d.	1907		£	s.	d.
Nov. 6	To Freight.....	30	6	8	Nov. 12	By Jas. Keen.....	145	11	-
,, 9	,, B/P	400	-	-	,, 14	,, Jas. Keen.....	180	-	-
,, 25	,, Commission ..	26	15	8	,, 15	,, Coffee A/c.	210	-	-
,, 30	,, *Balance* ....c/d	78	8	8					
		£ 535	11	-		£	535	11	-
					Dec. 1	By Balance ....b/d	78	8	8

The **practical method** of dealing with a Consignment Inwards is to open a **Consignment A/c.** and *debit* it with the invoice value of the goods; at the same time *crediting* the **personal a/c.** of the consignor. This personal a/c. should be debited with any *expenses* incurred in connection with the consignment, as well as with any remittance to the consignor.

On the sale of the goods the purchaser would be debited and the Consignment A/c. credited. The Consignment A/c. is **closed** by carrying the *difference* thereof, representing the gross profit or gross loss, to the **personal a/c.** of the consignor, as shown below.

Dr. Consignment from H. Vint (Ex. 37.) **Cr.**

1907		£	s.	d.	1907		£	s.	d.
Nov. 4	To Coffee	600	-	-	Nov. 12	By Sale, J. Keen	145	11	-
					,, 14	,, Sale, J. Keen	180	-	-
					,, 15	,, Sale, Selves	210	-	-
					,, 30	,, *Transfer to H. Vint's A/c.*	64	9	-
	£	600	-	-		£	600	-	-

Dr. Hugh Vint (Ex. 37.) **Cr.**

1907		£	s.	d.	1907		£	s.	d.
Nov. 6	To Freight.....	30	6	8	Nov. 4	By Consignment of Coffee	600	-	-
,, 9	,, B/P	400	-	-					
,, 25	,, Commission	26	15	8					
,, 30	,, Transfer from Consignment A/c	64	9	-					
,, 30	,, *Balance* .....c/d	78	8	8					
	£	600	-	-		£	600	-	-
					Dec. 1	By Balance .....b/d	78	8	8

156. DUTIES. As a means of revenue for the country two kinds of taxes are imposed on merchandise and manufactures. (1) Duties on certain goods produced and consumed at home, called *Excise*, and (2) Duties imposed on goods on their importation into or exportation out of a country, called *Customs*. Such duties are imposed on the basis of a schedule or list issued by the Government, called **a Tariff,** and collected by Custom and Excise officers, the payment of excise duties being witnessed by a document called a *Permit*.

If you purchased Whiskey produced at a cost of about £5, you would be required to pay in duty about £15, bringing the cost of the Whiskey up to £20. Therefore as all amounts paid for duty on Goods increase their cost, such amounts must either be debited against the goods

a/c. in respect of which they are paid, or a "Duty A/c." must be opened, the total of which, on balancing, would require transferring to the Goods A/c. affected.

Exercise 37.

Albert and Leo Pupil, trading in partnership under the style of Pupil Bros., as Tea and Coffee Merchants, find their Assets and Liabilities on the 1st November, 1907, to be as follows :—

Assets :—Cash, £1846 2s. 4d.; Tea, £1680; Coffee, £900; Jas. Keen, £101 1s.; B/R. on Alfred Carr for £600, and on S. Hunt for £500. *Liabilities* :—A. Carr, £107 3s. 4d.; B/P. due to W. Mack, 5th Nov. for £800, and one due to J. Routh, 30th Nov., for £720. Capital belongs partners in equal shares.

(Separate A/cs. must be kept of Tea and Coffee.)

Nov. 1.	Deposited Cash in Bank	£1600	-	-
,, 1.	Made advance for Petty Cash (76)	20	-	-
,, 2.	Received cheque from James Keen.....	101	1	-
,, 2.	Remitted Alfred Carr, cheque.....	100	-	-
,, 3.	Sold to James Keen, Tea £560; Coffee, £480	1040	-	-
,, 3..	Paid for Stationery out of Petty Cash	6	5	-
,, 4.	Recd. Consignment from Hugh Vint, Java, of 40 tierces of Coffee, invoiced at (154)	600	-	-
,, 5.	B/P. honoured at Bank (119)	800	-	-
,, 5.	Bought of A. Carr, Tea, £600; Coffee, £320	920	-	-
,, 6.	Paid in Cash, Duty on Tea (155) *Debit Tea A/c.*	20	13	4
	Pd. Cash Freight on Consign. from Vint (154)	30	6	8
,, 7.	A. Pupil and L. Pupil each drew a cheque for their private expenses .....£50 - -	100	-	-
,, 8.	Sold A. Carr and took his acceptance at 16 days for the amt. (123)..Coffee £550..Tea £160	710	-	-
,, 9.	Recd. from J. Keen in settlement of his a/c. a B/E. due 15th Nov., £800, Cash £240	1040	-	-
,, 9.	Remitted Hugh Vint a Bill at 1 month on a/c. of Consignment of Coffee for (154)	400	-	-
,, 9.	A. Carr's Bill due to-day, dishonoured (143)	600	-	-
,, 11.	B/R. honoured at Bank (122)	500	-	-
,, 11.	A. Carr discharged his dishonoured acceptance, and Int. £1 13 - in cash (*N.B.a.*)	601	13	-
,, 12.	Sold James Keen, Coffee from H. Vint (154)	145	11	-
,, 12.	Remitted cheque for carriage on Tea (75)	30	11	-
,, 12.	Bought of Alfred Carr, Tea	580	-	-
,, 13.	Accepted Carr's draft at 1 mo. on a/c. £920 including 1 mo.'s int. £3 16 8 (*N.B.b.*)	923	16	8
,, 13.	Paid Wages in Cash (Trade Exs. a/c.)	34	5	-
,, 14.	Sold James Keen, Coffee .....£320 - -			
	(154) ,, ,, from Vint £180 - -	—500	-	-
,, 14.	Drew on J. Keen at 2 mos. including £4 3 4 for interest (*N.B.c.*)	504	3	4

Nov.15.	Paid A. Carr, cheq. £577 15 - Dis. £2 5 - ..	£580	-	-
,, 15.	J. Keen's Bill due to-day dishonoured (143) ..	800	-	-
	Paid Noting Charges out of Petty Cash	1	1	-
,, 15.	Placed to our own a/c. Vint's Coffee (154)	210	-	-
,, 16.	Retired Bill due 30th Nov. by cheq. £717 5 - (145) And was allowed rebate.... 2 15 -	720	-	-
,, 17.	Sent Robert Keld, Newcastle, to be sold on our a/c. 84 chests Congou, 7200 @ 2/- (150) ..	720	-	-
,, 18.	J. Keen forwards his acceptance at 7 days with noting exp. and £10 for int. (*N.B. d.*)	611	1	-
,, 19.	Sold James Keen Coffee for Cheque £80 - - And on credit..... 121 1 -	201	1	-
,, 19.	Pd. in cash Carr. on Tea consigned to Newcastle	10	13	4
,, 20.	Bot. of A. Carr, Tea for Cheque.... £60 - - B/P. at 3 mos. £200 on Credit ..£400 - -	660	-	-
,, 21.	Discounted at Bank J. Keen's bill:—Proceeds (138) paid to Bank £500 Dis. thereon £4 3 4	504	3	4
,, 22.	Recd. from R. Keld, Bill at 1 month as an advance against Consignment of Tea (150)	300	-	-
,, 23.	Discounted A. Carr's bill at Bank. Net proceeds £707 1. Dis. £2 19 (138).....	710	-	-
,, 25.	Forwarded A/S. of Coffee to Hugh Vint. Commission charged (154)	26	15	8
,, 26.	Recd. from R. Keld, Newcastle, A/S. showing that Tea had realised net (152)	780	-	-
,, 27.	Carr's bill previously discounted at bank, returned dishonoured (143)	710	-	-
,, 28.	Keen met his acceptance for £811 1 - due to-day with a 2 mos. bill including int. for (144)	835	7	8
,, 29.	Paid Cash for Rent (Trade Exs. A/c.)	52	10	-
,, 29.	Credit each partner with Int. on Cap. £17....	34	-	-
,, 29.	Debit partners Int. on withdrawals 8/4 each (78)	-	16	8
,, 30.	*Value of Stock*, £2200; *Coffee* £290.			

N.B.—(*a*) Total in C.B.; pass Interest through the Journal.
(*b*) Total in B/P. Book; pass Interest through the Journal.
(*c*) Total in B/R. Book; pass Interest through the Journal.
(*d*) Total in B/R. Book; pass Interest through the Journal.

Answer:—*Gross Profit on Tea* £68 15s. 8d., *on Coffee* £411 1s. 0d.; *on Consignment* £49 6s. 8d.; *Net Profit* £463 19s. 8d.; *Bal. of each Cap. A/c.* £2198 11s. 6d. *Total of B/S.* £5999 8s. 4d.

157. A JOINT ADVENTURE A/c. is the record of a speculation entered into by two or more persons, in order to divide the result of the adventure. A Joint Speculation a/c. must be treated like an Outward Consignment a/c. until it is necessary to close it; that is, debit all payments and credit all receipts in respect of the goods speculated upon.

Transaction :—"Dec. 7. Bought of Peter Shaw, Tea, on joint a/c. with Thos. Watts, £370 14s. 6d." Journalise :—

Joint a/c. with Thos. Watts. Dr. £370 14 6.
To Peter Shaw.....£370 14 6.

Transaction :—"Dec. 9. Received from T. Watts, Cash for his half thereof....£185 7 3." Enter either in C.B. or journalise :—"*Bank Dr. To Thomas Watts* £185 7 3."

Transaction :—"Dec. 20. Sold to John Hale the Tea purchased on Joint a/c. with T. Watts....£435." Journalise :—

J. Hale.....*Dr.* £435.
To Joint a/c. with T. Watts.....£435.

Transaction :—"Dec. 20. Commission charged on sale thereof ....£6 10 6." Journalise :—

Joint a/c. with T. Watts.....*Dr.* £6 10 6
To Commission A/c.....£6 10 6.

The **Joint A/c.** being a Goods A/c. is **balanced** by transferring *one half* of the *difference* to the personal a/c. of Thos. Watts, and the other half to your own P/L. A/c.

Dr. Joint Account WITH **Thomas Watts. Cr.**

1907		£	s.	d.	1907		£	s.	d.
Dec. 7	To Tea of Peter Shaw ...	370	14	6	Dec. 20	By Sale to Hale	435	-	-
,, 20	,, Commission	6	10	6					
,, 31	,, **Profit** *transferred to :*								
	,, *T. Watts A/c.* ½ £28 17 6								
	,, *P. & L. A/c.* ½ £28 17 6								
		57	15	-					
	£	435	-	-		£	435	-	-

158. SUSPENSE A/c. (sometimes called a Contingent A/c.) This is an a/c. wherein various items are recorded, which, owing to death, oversight, postal irregularities, or want of detail or information at the time of entry, cannot be placed to their proper a/cs. in the Ledger. It is also used for adjustment and **apportionments,** such as recording the **proportions** of Wages, Insurance, Premiums, Rates, Taxes, Gas, Electricity, Water, Trade Expenses, &c., **unpaid** or **prepaid,** which are chargeable or allowable in respect of the period for which you are preparing a P/L. A/c. For instance, suppose you are closing your books on the 31st December, and the last payment of Wages was only to the 28th, it is clear that if your Wages a/c. is to be correct, you must debit it with

the amount earned in respect of those 3 intervening days and credit what—certainly not cash, for those wages are *not paid*, but a Suspense A/c. The transaction :—

"Dec. 30. Rent, Rates, and Taxes, *due* £28 4 -"

must be journalised :—

Trade Exs. A/c. (Rent, Rates, &c.) Dr.
To Suspense A/c.

On the other hand, insurance, rates or taxes, &c., may have been paid in *advance*, in which case the proper proportion of these items should be debited against the Suspense A/c. and the T/E. or other A/c. credited. Whenever the sums credited to the Suspense A/c. are paid they must be debited to the Suspense A/c. and credited to Bank or Cash, *e.g.*, "*Paid Rent due last month*," must be entered on the Cr. side of the Cash Book, thus :—"*Dec.* 5. *By Suspense A/c. (Rent)* £25." And on the contrary, when the period in respect of which an item was debited to the Suspense A/c. has expired, the amount must be debited to the T/E. or other a/c. and credited to Suspense A/c. In *apportioning* Trade Exs. &c., *for a given period*, a Suspense A/c. is *not* absolutely necessary. For instance, referring to the three days' Wages unpaid on the 31st Dec., they could be debited to the Wages A/c. for 1905, and credited to the Wages A/c. for 1906, through the medium of the Journal thus :—

1905. *Dec.* 31. *Wages A/c. Dr.* £300
1906. *Jan.* 1. *To Wages*.....£300

Should this method be adopted it will be seen that a Nominal A/c. may show either an asset or a liability.

Dr. **Wages A/c.** **Cr.**

1905		£	1905		£
Dec. 21	To Bank	30000	Dec. 31	*By Transfer to P. & L. A/c*.....	30900
,, 28	,, Bank	600			
,, 31	,, Wages owing.....	300			
		£ 30900			30900
			1906 Jan. 1	By Amount owing ...	300

Dr. **Fire Insurance A/c.** **Cr.**

1907		£	s.	d.	1907		£	s.	d.
Mar. 25	To Cash	200	-	-	Dec. 31	By Amount prepaid	246	5	-
June 24	,, Do.....	150	-	-		,, *Transfer to P. & L. A/c.*	371	15	-
Sep. 29	,, Do.....	168	-	-					
Dec. 27	,, Do.....	100	-	-					
	£	618	-	-		£	618	-	-
1908 Jan. 1	To Amount prepaid	246	5	-					

159. RESERVE for **DOUBTFUL DEBTS,** sometimes termed **BAD DEBTS RESERVE.** In closing your books and preparing the Balance Sheet it is essential that you should make ample provision for all possible liabilities, otherwise your assets may appear greater than they actually are. It is unlikely that *all* your debtors are financially sound, and in view of possible defaulters, you should examine each personal a/c. in your Ledger, and in a memorandum book make a list of such as are in the least *doubtful.* You will then be able to form an estimate of the amount unlikely to be recovered. An allowance in respect thereof should be charged against the current profits by being debited to the P. & L. A/c., and credited to the *Reserve for Doubtful Debts A/c.* It is a common practice to "write off" at each balancing a given *percentage*, say 5% on the total of the book debts. If there be a Cr. *balance* on the "*Reserve for D/D. A/c.*" at the end of the previous year, this amount *may* be *deducted* from the new percentage allowance.

No further entry must be made in this a/c. until the next balancing. All **bad debts** occurring between one balancing and another must be placed, as usual, to the "Bad Debts A/c." as directed by par. 74. When closing the books the **total** of the "Bad Debts A/c." must be transferred to the Dr. side of the "Reserve for Doubtful Debts A/c." and the Cr. balance of the latter a/c. carried down. If the total of the "Bad Debts A/c." should *exceed* the amount of the Reserve, the *difference* must be debited (by Journal entry) to the P. & L. A/c., and credited to the "Reserve for D/D. A/c." in which case, the latter would, of course, balance. After thus

closing the "Bad Debts A/c." and adjusting the "Reserve for D/D. A/c." the percentage allowance for the following period must be ascertained, such amount being debited to the P. & L. A/c., and credited to the "Reserve for D/D. A/c." If the total of the Bad Debts does not exhaust the Reserve, and *no* further provision is required, there is nothing to charge to the P. & L. A/c. By way of illustration the following transactions are recorded below :—

1907. Jan. 1. Balance of Reserve of 5% for Doubtful Debts on £5000 b/f.....£250
June 30. Total of Bad Debts A/c. on closing books....£150

Journalise "R. for D/D. A/c." Dr. To B/D. A/c.....£150
June 30. Reserve 5% for Doubtful Debts on £4500 after allowing £100, being Cr. balance of D/D. A/c. £125

(*Journalise P/L. A/c. Dr. To R. for D/D. A/c*.....£125)
Dec. 31. Total of Bad Debts A/c. on closing books....£285

(*Journalise R. for D/D. A/c. Dr. To B/D. A/c*....£285)
(*Journalise P/L. A/c. Dr. To R. for D/D. A/c*.....£60)

Dec. 31. Reserve 5% for Doubtful Debts on £5500....£275

Dr. Reserve for Doubtful Debts A/c. Cr.

1907		£	1907		£
June 30	To Bad Debts A/c.	150	Jan. 1	By Balance .....b/f	250
	,, *Balance*....c/d	225	June30	,, P. & L. A/c	125
		£375			£375
Dec. 31	To Bad Debts A/c....	285	July 1	By Balance.....b/d	225
,, ,,	,, *Balance* ....c/d	275	Dec.31	,, P. & L. A/c.	60
			,, 31	,, P. & L. A/c.	275
		£560			£560
			1908		
			Jan. 1	*By Balance* ..b/d	£275

The record in the **Profit & Loss A/c.** would be :—

Dec. 31. *To Bad Debts written off* £285
Plus Reserve for Doubtful Debts on £5500 @ 5% 275—£560

Less Cr. Balance of Reserve b/f..... 225—£33

When preparing the **Balance Sheet,** the amount standing to the credit of the "Reserve for Doubtful Debts A/c." should *not* be entered on the Liabilities side of the sheet, as other credit balances are, but should be **deducted** from the total amount of **book debts** or debtors entered on the Assets side, thus reducing the amount of that asset to its true value, thus :—

Sundry Debtors on Open A/cs	£5500	
Less Doubtful Debts Reserve	275	£5225

In Exercise 38 enter in the Balance Sheet as follows :

Sundry Debtors, viz. :—

Rufus Kemp	£525 6 8		
John Hale	435 - -	960 6 8	
Less Doubtful Debts Reserve		20 - -	940 6 8
Leo Pupil's Capital A/c....			4 1 11

160. RESERVES for DISCOUNT. It is customary in most trading concerns to allow cash discounts in respect of payments made within a stated period. It would therefore be incorrect to place the *full* amount of the *book debts* as an *asset* in the B/S., seeing that most of the **debtors** will claim discount on their respective payments. It is accordingly advisable to charge against the current profits a given **percentage**—say 5%—on the total amount of the book debts, *after deducting* the Reserve for Doubtful Debts. For instance, suppose the debtor's balances to be £6000, upon which £300 has been reserved for Doubtful Debts, the allowance for Discount would be reckoned on the reduced amount of £5700. No further entry must be made in the Reserve for Discount A/c. until the next balancing, when the **total** of the *actual* Discount A/c. would be transferred and *debited* to it, in a similar manner to the total of the Bad Debts A/c., referred to in the last paragraph.

Dr. **Reserve for Discount on Debtor's A/c.** **Cr.**

1907		£	1907		£
June 30	To Discount allowed for half-year as per C.B.	240	Jan. 1	By Balance b/f, being 5% on Book Debts, £5700 ...	285
,, 30	,, *Balance c/d*	368	June 30	,, P. & L. A/c. 5% on Book Debts, £7360 (after deducting reserve)	323
		£ 608			£ 608
Dec. 31	To Discount allowed for half-year as per C B.	400	July 1 ,, 31 ,, 31	By Balance b/d ..... ,, P. & L. A/c..... ,, P. & L. A/c. 5% on Book Debts, £7500	368 32 375
, 31	,, *Balance c/d*	375			
		£ 775			£ 775
			1908 Jan. 1	By Balance b/d.....	375

The record in the **Profit and Loss A/c.** in each case would be as follows :—

June 30. *To Discount allowed on Sales* £240
Plus Reserve for Discount on Debtors
£7360 @ 5% ..... 368—£608
Less Cr. Balance of Reserve b/f .... 285— £323

Dec. 31. *To Discount allowed on Sales* £400
Plus Reserve for Discount on Debtors
£7500 @ 5 % ..... 375—£775
Less Cr. Balance of Reserve b/f .... 368— £407

The record in the **Balance Sheet** on 30th June would be :

Sundry Debtors on Open A/c. £7748
Less Doubtful Debts Reserve ..... 388— £7360
Less Reserve for Discount ..... 368— £6992

Reserve for discount on **creditors** may also be deducted in a similar manner as the reserve on debtors ; the result, of course, being quite opposite in its effect.

Dr. **Reserve for Discount on Creditor's A/c.** **Cr.**

1907		£	1907		£
Jan. 1	To Balance b/f being 5% on Creditors £5700	285	June 30	By Discount allowed for half-year as per C.B.	240
June 30	,, P. & L. A/c. 5% on sum due to Creditors £7360	323	,, 30	,, *Balance c/d*	368
		£ 608			£ 608
July 1	To Balance b/d.....	368			

The record in the **Profit & Loss A/c.**, would be :

June 30.	*By Discount allowed on Purchases*	£240	
	Plus Reserve for Discount on Creditors ..	368—608	
	Less Dr. Balance of Reserve b/f	285—	£323

The record in the **Balance Sheet** would be as follows :

Sundry Creditors on Open A/cs	£7360	
Less Reserve for Discount	368—	£6992

Exercise 38.

On the 1st Dec., 1907, Albert and Leo Pupil entered into partnership ; the arrangement being that Albert was to find all the capital, and that he was in consequence thereof, to have two-thirds of the profit, whilst Leo was only to have the remaining one-third.

Assets :—Cash at Bank, £772 13 6, B/R. due 21st Jan., £45 16 6, Consignt. to Hume & Co., Madras, £430 18 6, Merchandise on hand £529 1 8, Cash £27 6 6, Office Furniture £75, Dent & Co., Calcutta, owed for an advance by means of our acceptance for £300 due 21st Feb., against consignt. value £540. *Liabilities* :—B/P. due 16th Dec., £50, B/P. due 21st Feb. £300, Suspense A/c. for Rent, Rates, Taxes, &c., £30 16 8, A. Pupil's Cap. £1800. All receipts and payments through the Bank unless otherwise stated.

Dec. 2.	Sold Joseph Turner, Goods	£330	10	6	
,, 2.	Drew a Bill at 2 mos. on J. Turner (123, 147)	322	6	10	
	And allowed him Discount	8	3	8	
,, 5.	Paid Rent due *last month* (157)	25	-	-	
,, 6.	Sold to Rufus Kemp, the Consignment of Goods on a/c. of Dent & Co., Calcutta (154)	525	6	8	
,, 6.	Our Commission for selling same	7	17	6	
	Our charges on same deducted from A/S.....	4	13	2	
	Dent & Co. Dr. To Com. & Charges A/c., £12 10 8				
	Paid out of Cash Dock Charges thereon	3	16	8	
,, 7.	Bought of Peter Shaw, Tea on Joint a/c. with Thomas Watts (156)	370	14	6	
,, 9.	Received from T. Watts, for his half (156) ..	185	7	3	
,, 11.	Discounted with Bank, Draft on J. Turner Dis. £4 16 8, total (138)	322	6	10	
,, 13.	Recd. A/S. from Hume & Co., Madras, showing that *part* of our Consignment to them had realised, after deducting Com. and charges, the sum of (150).....	356	18	9	
	Leaving balance unsold £139 9 9				
	Drew on Hume & Co., at 3 mos., for (123 & 147)	356	18	9	

Dec.16.	Paid Bill falling due this day (119)	£50	-	-
,, 17.	Paid Taxes due last Nov. out of Cash (157) ..	5	16	8
,, 20.	Sold to John Hale, the Tea bought on Joint a/c. with T. Watts (156)	435	-	-
	Commission charged on sale thereof	6	10	6
,, 20.	Retired by Bank, B/P. Rebate £2 6 8 (145) ..	297	13	4
,, 30.	Office Expenses paid out of Cash	4	10	-
	Clerk's Salary paid do.	10	-	-
,, 30.	Rents, Rates, and Taxes, *due* (157)	28	4	-
,, 30.	Partners' withdrawals, Alb. £60, Leo. £35 (78)	95	-	-
,, 30.	Credit Interest on A. Pupil's Capital (71)	6	5	-
,, 30.	Allow for depreciation of Furniture (82).....	1	-	-
,, 30.	Reserve for Doubtful Debts (158)	20	-	-

Merchandise on hand £258 9 6.

Answer:—*Gross Profit on Goods* £59 18 4; *on Joint A/c.* £28 17 6; *on Consignment*, £65 10. *Net Profit*, £92 14 4; *Balance of A/P. Cap. A/c.*, £1808 1 3; *Dr. Balance of L.P. Cap. A/c.* £4 1 11.

161. A TRIAL BALANCE may either consist of the **total postings** to the Ledger, or simply the **differences** of the **postings.** The former method is the more advantageous one, when all the transactions are journalised, because in addition to the equalisation of the totals you have the further check afforded by their agreement with the totals of the journal. The second plan however, is the one adopted in **business,** as it exhibits in a very concise form the information from which, after the value of the goods on hand, or on consignment, &c., has been estimated, and the depreciation of buildings, machinery, plant, furniture, &c., has been written off, a P/L. A/c. and a Balance Sheet may be constructed. In **practical work** you must not fail to remember that the totals or balances of the various columns in that section of the Ledger, known as the Cash Book and Petty Cash Book, require to be included in the Trial Balance.

The *differences* shown in the Trial Balance of the Personal A/cs., and of Cash, Bank, B/R., B/P., &c., give the correct amounts of the debit and credit balances without further manipulation. It is well for the book-keeper to prepare a rough T.B., monthly or at least quarterly, so that in case of errors or omissions they may be discovered and rectified without being put to the

annoyance of having to search through numerous entries extending over a long period of time. The adoption of this suggestion will greatly facilitate the closing of the books at the half-yearly or annual balancing.

Trial Balance of Exercise 39.

Ledger Accounts.	Totals. Dr. £	s.	d.	Totals. Cr. £	s.	d.	Balances. Dr. £	s.	d.	Balances. Cr. £	s.	d.
Cash A/c.	1249	10	-	818	-	-	431	10	-			
Petty Cash A/c. ..	15	-	-	9	15	6	5	4	6			
Bank A/c.	885	-	-	750	-	-	135	-	-			
A. Pupil, Cap. A/c.				2410	-	-				2410	-	-
A. Pupil, Drwgs. A/c	20	-	-				20	-	-			
L. Pupil, Cap. A/c.				1205	-	-				1205	-	-
L. Pupil, Drwgs. A/c	25	-	-				25	-	-			
Office Furniture ..	50	-	-				50	-	-			
Bills Receivable A/c	850	-	-	550	-	-	300	-	-			
Bills Payable A/c.	700	-	-	1057	-	-				357	-	-
Cotton A/c.	1400	-	-	550	-	-	850	-	-			
Const. from Gray & Co.	1000	-	-	1160	-	-				160	-	-
Const. to S. Platt & Co.	378	-	-	386	10	-				8	10	-
Commission A/c. ..				58	-	-				58	-	-
Interest A/c.	15		-				15	-	-			
Discount A/c.		10	-					10	-			
Trade Expenses A/c	37	5	6				37	5	6			
Suspense A/c.....				27	10	-				27	10	-
Bad Debts A/c.....	100	-	-				100	-	-			
Gray & Co. ...P.L.	1160	-	-	1000	-	-	160	-	-			
National Dis Co. ,,	300	-	-	300	-	-				-	-	-
John Boyd....S.L.	600	-	-				600	-	-			
Coles & Co. .. ,,	400	-	-	400	-	-	-	-	-			
May & Co..... ,,	650	-	-				650	-	-			
Nevill Bros.... ,,	510	-	-				510	-	-			
S. Platt & Co.. ,,	386	10	-	250	-	-	136	10	-			
Robey & Son.. ,,	500	-	-	600	-	-				100	-	-
Thomas Wood ,,	300	-	-				300	-	-			
£	11531	15	6	11531	15	6	£4326	-	-	4326	-	-

Exercise 39. (*Lanc. & Cheshire Union Exam.*, 1894.) *Albert Pupil's Cap. consists of*:—Cotton, £1000, Bank, £500, Debts owing by Thos. Wood, £300, and John Boyd, £600. Total £2400. *Leo. Pupil's Cap. consists of*:—Cotton, £400, Cash, £400, Debt owing by Coles & Co., £400. Total £1200. (*N.B.*) Jan. 1st, 1908. Divide result of trading, three-fifths to Albert, two-fifths to Leo.

Jan. 1.	Bought of Holt & Co., Office Furniture and paid by Cheque on Imperial Bank (81).....	£50	-	-
,, 1.	Cash advanced to Petty Cash A/c. (76)	15	-	-
,, 1.	Paid to Bank L. Pupil's Cash Capital.....	385	-	-
,, 5.	Consigned to Sam Platt & Co. (per S.S. "Venus") Cotton to be sold for our A/c. (150)	350	-	-
	Drew on S. Platt & Co., at 15 days' sight for	250	-	-
,, 7.	Sold to Robey & Son, Cotton	200	-	-
,, 8.	Received of Robey & Son, Acceptance at 1 mo. of Coles & Co., due 21st January (123 & 147)	300	-	-
,, 8.	Recd. from Gray & Co., consignment of Cotton (per S.S. "Finsbury") to be sold for their a/c.; invoiced at (154).....	1000	-	-
,, 10.	Accepted Gray's Draft at 14 days (123, 148)	700	-	-
	Discounted with National Dis. Co. Coles & Co.'s Acceptance £300, recd. cash (138)	299	10	-
,, 14.	Sold May & Co., Cotton, part of consignment from Gray & Co. (154)	650	-	-
	Our commission on above sale	32	10	-
,, 14.	Paid Freight and charges on consignment (per s.s. "Venus") to Platt's (150).....	28	-	-
,, 14.	Paid Dock Dues and Charges on Gray & Co.'s consignment to us (154).....	45	-	-
,, 21.	Cole's Acceptance dishonoured (143)	300	-	-
,, 21.	Received from S. Platt & Co., A/S of Cotton consigned to them; proceeds (152)	386	10	-
,, 23.	Accepted a composition of 15/- in the £ from Coles & Co., in respect of their *book debt* of £400, and recd. from them their P/N. at 6 mos. for the comp. (74, 95a, 123, 147)	300	-	-
,, 23.	Recd. cheque for amt. of dishonoured Acceptance of Coles & Co., from Robey & Son, and endorsed it National Dis. Co.	300	-	-
	(*National Dis. Co. Dr. To Robey & Son*).			
	(*In practical work enter in Cash Book "To Robey & Son £300," "By National Discount Co. £300"*)			
,, 25.	Recd. cash for our Bill on S. Platt & Co. (123)	250	-	-
,, 27.	Sold to Nevill Bros., balance of Cotton consigned to us from Gray & Co. (154)	510	-	-
	Our Commission on the above	25	10	-
,, 27.	Bank paid our acceptance of Gray's Draft (123)	700	-	-
,, 29.	Accepted Gray's Draft at 30 days' sight (123,147)	357	-	-
,, 31.	Office Rent *due* this day (157)	12	10	-
	Due to H. Law for Salary	15	-	-
	Paid Expenses out of Petty Cash	9	15	6
	Int. on Cap., Alb. £10; Leo £5 (71)	15	-	-
	Cash withdrawn by A. Pupil on private a/c (78)	20	-	-
	The like by Leo Pupil.....	25	-	-
	Stock of Cotton £950.			

[P.T.O.]

N.B.—Combine the opening entries by debiting Bank £500, Cash £400, Cotton £1400, Wood £300, Boyd £600, Coles & Co. £400, and credit A. Pupil £2400, and L. Pupil £1200.

Answer.—*Gross Profit on Goods*, £100, *on Consignment*, £8 10. *Net Profit* £13 14 6. *Bal. of A. P. Cap. A/c.* £2398 4 8, *L. P. Cap. A/c.* £1185 9 10. *Total of B/S.* £4068 4 6.

162. SALES ON COMMISSION. Merchants may occasionally hand you a sample of goods with the view to your effecting a sale on their a/cs. and at their risk, for a stipulated commission. You do not take possession of the goods, but merely submit a sample to likely buyers, upon which sample you obtain an order, say from Henry Tew for £100 worth. You dispatch the order to your principal, James West, who invoices and forwards the goods direct to H. Tew. In such agency transactions as this, no responsibility whatever rests upon you, as the purchaser becomes the debtor of your principal. The only entry required in your books would be in respect of your commission, and this entry you would make on transmitting the order to your principal as follows :—*James West.....Dr.* £5.

To Commission A/c..... £5.

163. RETURNS AND ALLOWANCES. Goods are returned for a variety of reasons, the chief being : inferior to sample; not ordered; damaged in transit; overcharged; not in time, &c. Should you return goods to T. Long, in respect of which you had previously credited him, you would on their return debit him with the value of the goods sent back, and credit the Goods A/c. If the reverse should be the case, then you would debit the Goods A/c. and credit T. Long. In preference to returning goods, merchants often agree upon a sum as an **allowance** in respect of any damage sustained, in which case the transactions would be journalised like goods returned. On such a return or an allowance being made, the firm making the allowance forwards to the other firm a **Credit Note** giving the particulars of the allowance. (See C/N. in Mercantile Terms.)

164. If at any time in making out an Invoice you should inadvertently **undercharge** for any goods, on

being informed of the error you would make out and forward a **Debit Note** or *additional Invoice* to your debtor in respect of the difference. The entry for this would be :—*A. Person Dr. To Goods A/c.* When "Returns and Allowances" are rare, it would be well to pass them through the Journal; but when such transactions are numerous, separate books must be employed in *practical* work in which to record them. The practice is sometimes adopted of entering Returns and Allowances at the *end* of the Bought Book and Sales Book.

165. The **RETURNS BOOK INWARDS** would contain particulars of Goods returned by the purchaser **to you**, also particulars of overcharges or allowances made by you to the purchaser. This book is ruled like the Bought and Sales Books. After the entry has been made and checked the **Credit Note** should be made out in *red ink* and forwarded.

POSTING. As the transactions recorded in this Returns Book make the individuals named therein *creditors* for their respective amounts, you will therefore post the amounts to the **Cr. side** of their respective personal a/cs. in the Ledger and enter the : *Date, By Returns, Fol., Amount.* The **total** representing Goods returning **inwards** must be posted to the **Dr. side** of the **Goods** or **Sales A/c.** by entering : *Date, To Returns, Fol., Amt*

166. The **RETURNS BOOK OUTWARDS** contains particulars of Goods returned **by you** to the seller or vendor ; also particulars of allowances made by the vendor to you. This book also is ruled like the Bought and Sales Books. After the entry has been made and checked the **Debit Note** should be made out and forwarded.

POSTING. As the transactions recorded therein make the individuals named **debtors** to you for their respective amounts, you will therefore post the amounts to the **Dr. side** of their respective personal a/cs. in the Ledger and enter the : *Date, To Returns, Fol., Amount.*

Seeing that this Returns Book contains particulars of Goods which are being returned **Outwards,** you will therefore post the **total** thereof to the **Cr. side** of the **Goods** or **Purchases A/c.** by entering the: *Date, By Returns, Fol., Amt.*

RETURNS BOOK INWARDS.

1910			Led Fol.	£	s.	d.	£	s.	d.
June 4	**Thomas Sykes.**								
	50 yards Black Serge (not ordered)..@	1/1		4	15	10			
	51 yards Woollen Cord (damaged) ....@	3/4		8	10	-	13	5	10
,, 7	**George Jones.**								
	Overcharge on 60 yds. Fustian Cord..@	6d.					1	10	-
,, 10	**G. W. Parker & Son.**								
	Allowance on 120 yds. Scotch Tweed @	3d.					1	10	-
	Goods A/c. ....Dr.						£16	5	10

RETURNS BOOK OUTWARDS.

1910			Led Fol.	£	s.	d.	£	s.	d.
June 5	**Albert Swift.**								
	50 yards Blue Melton (inferior quality)@	10/-					25	-	-
,, 9	**John Coombs & Son.**								
	54 yards Coating (exchange)	4/2		11	5	-			
	Allowance on 48 yards Black Worsted ..	2d			8	-	11	13	-
,, 12	**John W. Heaps.**								
	40 yds. Fancy Tweed (wrong pattern) ..	3/-					6	-	-
	Goods A/c. ... Cr.						£42	13	-

Exercise 40.

Assets : Cash £241 17s. 8d.; Bank £193 19s. 11d.; Goods £172 11s. 2d.; Business Premises £1500; B/R.:—Tom Long £64; J. Plant £47 1s. 6d.; W. Reed £192 5s. 0d. Book Debts :—Chas. White £39; Tom Long £19 7s. 1d. *Liabilities* :—B/P. to J. Ince £92 1s. 9d.; Bal. due to Wm. Hill £322 1s. 6d.; Cap. £2055 19s. 1d.

1908.	*Transactions* :	£	s.	d.
Feb. 1.	Discounted Long's bill at Bank, Dis. £1.....	64	-	-
,, 2.	Bought of W. Hill, Goods	31	15	2
,, 4.	My acceptance lifted at Bank (119)	92	1	9
,, 5.	Bot. of John Battye, Goods for Cash, £95, Dis. £5	100	-	-
,, 6.	Sold Goods to T. Long	196	19	10
,, 6.	,, ,, C. White	45	-	-
,, 7.	Paid Water Rate in Cash	19	15	-
,, 10.	Recd. C. White's Acceptance at 1 mo. (123, 147)	39	-	-
,, 13.	J. Plant's Acceptance paid in Cash (123)	47	1	6
,, 15.	Recd. of T. Long, Cash £17 8 5, Dis. £1 18 8	19	7	1
,, 16.	Bought of John Battye, Goods	210	-	-
,, 17.	Sold for and at the risk of Jas. West to Hy. Tew, Goods £100, my Com. thereon being (162)	5	-	-
,, 19.	Recd. of T. Long, Acceptance at 2 mos. (123,147)	196	19	10
,, 22.	Sold C. White, Goods for cheque.....	75	-	-
,, 22.	,, T. Long ,, ,, ...	73	10	9
,, 23.	Paid into Bank	40	-	-
,, 23.	Handed W. Hill my Acceptance at 1 mo. (123,148)	100	-	-
	also my cheque for	38	3	-
	also T. Long's Acceptance	196	19	10
	which with Dis. settles his a/c.	18	13	10
,, 24.	T. Long returned goods for not being equal to sample (163).....	27	-	-
,, 25.	C. White is bankrupt and I receive a first and final dividend of 3/- in the £ (74, 95a)	12	12	-
	Note transaction on the 10th. As the dividend paid covers the amount of the B/R., the latter must be disposed of through the Journal, thus : "C. White, Dr. to B/R., £39."			
,, 27.	T. Long's discounted Acceptance, due to-day, returned dishonoured (143)	64	-	-
	Paid Noting in Cash	-	6	-
,, 28.	Pd. L. & Y. Co. Carr. of Goods by cheq. (75)..	7	6	8
,, 28.	Paid Wages in Cash	23	10	-
,, 28.	Paid Travelling Expenses in Cash.....	20	-	-
,, 28.	Credit Interest on Capital (71)	15	-	-
,, 28.	Depreciation in value of Premises (82)	37	10	-

Stock of Goods £405.

Answer :—*Gross Profit* £246 17 7. *Net Profit* £85 9 9. *Bal. of Capital* £2156 8 10. *Total of B/S.* £2466 8 10.

Exercise 41.

On 1st March, 1908, the Books of A. Pupil and L. Pupil (trading as Pupil Bros.) showed the position of their affairs to be as follows :—

LIABILITIES.	£	s.	d.	ASSETS.	£	s.	d.
Bills Payable—				Cash in hand £68 10 6			
No. 52, due 18 Mar. 800 - -				,, at Bank 581 7 6			
,, 53, due 26 ,, 265 10 -					649	18	-
	565	10	-	Bills Receivable—			
Sundry Creditors—				No. 76, R. Hanson £50 - -			
C. Lyon & Son ... £350 12 6				,, 77, T. Wills . 60 2 6			
G. Wood & Co.... 179 10 -				,, 78, J. Ross ... 75 10 -	185	12	6
W. Morris & Sons 410 5 -				Sundry Debtors -			
	940	7	6	Thos. Wills..... £72 10 6			
CAPITAL—				Jones & Co..... 142 7 -			
Albert Pupil ..... £830 - -				Joseph Ross 59 2 6			
Leo Pupil ..... 332 8 -				Brown Bros. ..... 73 5 -			
	1162	8	-		347	5	-
				Stock of Goods	1320	10	-
				Furniture and Fittings	165	-	-
£	2668	5	6		2668	5	6

Leo Pupil is to receive a salary of £200 per ann., and 5% per ann. int. on the cap. of each partner is to be charged; profit or loss to be divided as follows :—A.P. two-thirds, L.P. one-third.

		£	s.	d.
Mar. 2.	Bought of C. Lyon & Son :—			
	M30—1316—Fancy Worsted, 52			
	1317 ,, 51=103 @ 8/-	41	4	-
,, 3.	Sold to Thomas Wills :—			
	Q310—987—Woaded Worsted, 50			
	988 ,, 51=101 @ 10/-	50	10	-
,, 3.	Received (and paid into Bank) from Thos. Wills, £70, Dis. £2 10 6 (91)	72	10	6
,, 5.	Sold to Thomas Johnson :—			
	O10—599—Indigo Serge 52½			
	600 ,, 50½=103 @ 7/8	39	9	6
,, 5.	Paid Cash—Wages	6	2	-
,, 7.	Sold J. Ross : XI.—707—President 50½ @ 4/-	10	2	-
,, 7.	Bought of G. Wood & Co. :—			
	A7—293—Woaded Worsted, 52			
	294 ,, 50			
	295 ,, 51½			
	296 ,, 50½=204 @ 7/-	71	8	-
,, 7.	Recd. from Jones & Co., Comp. of 10/- in the £ in settlement; pd. same to Bank (74, 95a) ..	71	3	6
,, 7.	Pd. G. Wood & Co.—Chq. £175, Dis. £4 10 -	179	10	-
,, 10.	Sold Brown Bros.: L12—763—Fancy 52 @ 4/6	11	14	-
,, 10.	Paid into Bank—Bill No. 76 £50, No. 77 £60 2 6, No. 78 £75 10 (122).....	185	12	6

Mar.10.	Sold to Geo. Hirst :			
	P71—989—Woaded Worsted, 51 @ 10/-	25	10	-
,, 10.	Bought of G. Wood & Co. :—			
	F7—312—Fancy, 50			
	313 ,, 51			
	314 ,, 51=152 @ 3/-	22	16	-
,, 11.	Accepted C. Lyon & Son's draft at 3 mos.....	346	10	-
	(123, 148). Discount allowed (*Cash Book*) ..	4	2	6
,, 12.	Sold to J. Ross : XI—708—President 52 @ 4/-	10	8	-
,, 12.	Paid Cash—Wages	6	4	6
,, 12.	Received Cash for Sundry Small Sales	4	10	6
,, 14.	Sold to Brown Bros.:—			
	U71—801—Indigo Serge. 52			
	802 ,, 50=102 @ 6/6 ..	33	3	-
,, 14.	Advised Bank to meet Bill No. 52 (119)	300	-	-
,, 16.	Bought of C. Lyon & Son :—			
	R72—1417—President. 52			
	1418— ,, 51½			
	1419— ,, 50½=154 @ 2/3	17	6	6
,, 16.	Accepted W. Morris & Son's draft at 2 mos...	405	-	-
	(123,148). Discount allowed (*Cash Book*) ..	5	5	-
, 18.	Sold to John Child :—			
	F77—919—Fancy Worsted, 52 @ 12/-	31	4	-
,, 19.	Sold to William Bell : —			
	P71—990—Woaded Worsted, 50½			
	991— ,, 51½=102@10/-	51	-	
,, 19.	Paid Cash—Wages	6	2	-
., 21.	Sold to Arthur Ford :—			
	O10—703—Indigo Serge, 51 @ 6/6	16	11	6
,, 21.	Bought of George Hart :—			
	B67—515—Indigo Serge, 51			
	517— ,, 52½			
	508— ,, 50½=154 @ 5/-	38	10	-
,, 21.	Recd. of J. Ross and pd. to Bank £57 13. Dis.	1	9	6
,, 21.	Received Advice from Bank—(143)			
	Rd. Hanson's Bill Dishonoured ; Ex. 5/6....	50	5	6
,, 21.	Advised Bank to meet Bill No. 53 (119)	265	10	-
,, 24.	Bought of Wm. Morris & Sons :—			
	E21—1279—Fancy Worsted, 50			
	1280— ,, 51½			
	1281— ,, 50½=152 @ 8/-	60	16	-
,, 24.	Recd. of Brown Bros., 2 mos. bill, £72. Dis.	1	5	-
,, 26.	Sold to King & Co. :—			
	M107—709—President, 51½			
	710— ,, 50½			
	711— ,, 52=154 @ 3/6	26	19	-
,, 26.	Sold to Samuel Green :—			
	A100—992—Woaded Worsted, 52, @ 10/3 ..	26	13	-
	Paid Cash—Wages	6	3	-

Mar. 28.	Recd. of Thomas Wills, 3 mos. bill, £50, Dis.		- 10	-
,, 29.	Bought of C. Lyon & Son :—			
	W15—1491—President, 50½			
	1492— ,, 52			
	1493— ,, 51			
	1495— ,, 57 = 210½ @ 5/-		52 12	6
,, 29.	Sold to Hick Bros. :—			
	F77—920—Fancy Worsted, 50 @ 12/-		30 -	-
,, 29.	Sold to T. Wills: Z29—717—President, 52 @ 4/-		10 8	-
,, 30.	Sold to William Bell :—			
	P71—993—Woaded Worsted, 53 @ 10/-		26 10	-
,, 31.	Received Cash for sundry Small Sales		6 15	-
,, 31.	Bought of George Hart :—			
	C12—605—Indigo Serge, 51			
	600— ,, 51½			
	607— ,, 50⅔ = 153 @ 6/-		45 18	-
,, 31.	Sold J. Ross —XI.—808—President, 51 @ 4/-		10 4	-
,, 31.	Paid Cash—Travelling Exs. during month .		20 5	-
	Paid Cash—Carriage during month.....		7 8	6
,, ,,	Bank Charges for month (72, 92)		2 5	-
,, ,,	Leo Pupil's Salary paid by Cheque (78).....		16 13	4
,, ,,	Credit Int. on Cap. :—A.P. £3 9 2, L.P. (71)		1 7	8
	Value of Goods on hand £1350.			

Answer :—*Gross Profit*, £100 10 6. *Net Loss*, £38 10 8. *Bal. A.P. Cap. A/c.* £807 15 4, *L.P., Cap. A/c.* £320 18 10. *Total of Balance Sheet* £2230 15 2.

Exercise 42. (*W.R.C.C. Inter. Exam.*, 1897).

You are required to pass the following Waste Book entries through the *Bought and Sold Day Books* (which should both be summarised or dissected, see page 92), the *Cash Book*, *Bill Books*, and *Journal* into Messrs. Maxey and Bell's *Bought*, *Sold* and *Private Ledgers* opening subsidiary Goods and P/L. A/cs., and having balanced the A/cs. to draw out a T.B. showing balances, a P/L. A/c., and a B/S., journalising the Closing Entries :—*Unless stated otherwise, all receipts are paid into, and all payments out of the Office Cash.*

Chas. Maxey and Walter Bell enter into partnership under the name of Maxey & Bell, on 1st Apr., 1906. Maxey is to get two-thirds and Bell one-third of the profits. Int. at 5% is to be allowed on the Partners' Capital. A Bank A/c. is opened, C. Maxey pays therein £3250 and W. Bell £1025. (*Enter in Cash Book*).

They purchase the business and Stock of Herbert Lanfear, Cheese, Bacon, and Butter Merchant, at £4057 10s., as follows :—Bacon, £1850; Cheese, £900. Butter, £1150; Boxes, Cases, &c., £32 10s.; Fittings, Fixtures and Furniture £125 (*Enter in Journal*) £4057 10 -
Maxey & Bell pay by cheque to H. Lanfear..... 2557 10 -
And accept his draft at 3 mos. for balance (148) ..... 1500 - -

Apl.	2.	Bot. of Chas. Gould: Bacon, £325; Cheese, £155	480		-
,,	5.	Accepted Bill at 3 mos. payable to C. Gould..	480	-	-
,,	9.	Sold J. Clark: Bacon £125; C. £50; B. £46	221	-	-
,,	9.	Sold for Cash: Bacon £52 10s.; Cheese £13; Butter £5 10s.....	71	-	-
July	4.	Paid by Cheque Bill falling due to-day (123)	1500	-	-
,,	8.	Retired by Cheque Bill maturing to-day (123)	480	-	-
,,	8.	Sold J. Clark: Bacon £170; Butter £127	297	-	-
,,	9.	Bought of Henry Johnson: Butter.....	230	-	-
,,	9.	Accepted H. Johnson's Draft at 3 mos.....	230	-	-
,,	9.	J. Clark returned bacon because badly bruised	12	10	-
,,	9.	W. Bell takes for private purposes: Bacon £10; Cheese £1; Butter £7 10s. (78) (*Sales Book*)	18	10	-
,,	9.	Purchased for Cash: Bacon.....	5	-	-
,,	9.	Paid Cheque for Boxes, Cases, &c.	125	-	-
Oct.	4.	James Clark pays Cash which is at once paid into the Bank £490. Allowed Dis. £15 10s..	505	10	-
,,	12.	Met by Cheque, Bill falling due to-day (123)..	230	-	-
,,	12.	C. Maxey withdraws by Cheque for private use	50	-	-
,,	12.	W. Bell withdraws for private use: Cash (78)	12	10	-
Nov.	1.	Bot. of C. Gould: Bacon £300; Cheese £150	450	-	-
,,	15.	Pd. Cheque to C. Gould, £427 10; Dis. £22 10	450	-	-
1907.					
Feb.	4.	Bought of H. Johnson: Butter	400	-	-
,,	4.	Accepted H. Johnson's draft at 3 mos. (148)..	400	-	-
,,	5.	Sold J. Clark: Bacon £250; C. £200; B. £75	525	-	-
,,	5.	Recd. Cash on A/c. from James Clark	100	-	-
,,	7.	Sold Wm. Morris: Bacon £225; C. £175; B. £71	471	-	-
,,	7.	Recd. from W. Morris, and paid into Bank (91)	200	-	-
,,	15.	Paid Wages in Cash	52	-	-
,,	15.	Paid by Cheque, year's rent of premises	75	-	-
,,	16.	Sold for Cash: Bacon £80; Cheese, £12 10s.; Butter £56 10s.	149	-	-
,,	16.	Paid into Bank.....	250	-	-
,,	28.	Boxes, Cases, &c., used during the year may be charged to the following:—Bacon £66 10s.; Cheese £30; Butter £25	121	10	-
,,	28.	*Value of Boxes, Cases, etc., on hand*	36	-	-
,,	28.	*Stock of Goods on hand*: *Bacon* £1896 10s.; *Cheese* £1064 10s.; *Butter* £1379	4340	-	-
,,	28.	Write off 10% depreciation of Fittings (82) ..			
,,	28.	Credit for Int. on Cap.: C. Maxey (71).....	162	10	-
,,	28.	Do. do. W. Bell	81	5	-
,,	28.	Debit for Int. on Drawings: C. Maxey (78)..	1	6	5
,,	28.	Do. do. W. Bell.....		10	11

Answer:—*Gross Profit on Bacon* £250. *Cheese* £281. *Loss on Butter* £37 10.- *Net Profit*, £119 2 4. *Bal. C.M. Cap. A/c.*, £3440 11 9. *W.B. Cap. A/c.*, £1714 8 3. *Total of B/S.* £5555.

Exercise 43. (*W.R.C.C. Inter. Exam.*, 1900).

Record the following transactions of Murray & Co., by means of Journal, two Day Books, C.B., and Ledger. The receipts and payments (except P.C. Payments) are through the Bank. Journalise bill transactions. Show the gross profit of A. and B. Departments separately. Each item of sale or purchase is marked A. or B. representing the two Depts. Divide net profit in proportion to each Partner's Cap. Show P/L. A/c. and B/S. 31st March, 1900.

Liabilities: City Bank, Ltd., £1469 17 3; John Murray, Loan, £200; Sam Matthews, £164 11 3; two B/P. :—Jones Bros.. due Feb. 3rd, £120; Proctor & Co., due Mar. 3rd, £180. *Assets*, Bryde & Son, £136 15; two B/R.:- Monteith Bros., due Jan. 4th, £55 17 6; Hy. Speight, due Feb. 3rd, £69 10; Fixtures and Furniture, £137 14; P.C. 14/11; Stock A Dept., £1470 9; B Dept., £1859 3 1. *Capital*: Robert Murray, £957 9; Fredk. Wade, £638 6.

Jan.	3.	Paid to Bank Monteith's Bill (123).....	55	17	6
,,	5.	Bryde & Son accept 3 mos. Bill, £100, and pay Cash £36; and Dis. 15/- (147)	36	15	-
,,	6.	Sold Goods (A) to Sam Matthews	43	19	2
,,	8.	Cheque drawn for P.C. (76)	3	-	-
,,	10.	Sold Goods (B) to Harold Langton, £76 14 11 and (A) £143 19 6.....	220	14	5
,,	11.	Bot. of Jones Bros., Goods (A)	49	3	9
,,	12.	Bot. of Mathers & Co., Goods (B)	54	1	1
,,	13.	Paid Fire Insurance	3	16	-
,,	16.	Sold Goods (B) to Monteith Bros., and recd. 3 mos. Bill (123, 147).....	98	1	11
,,	31.	Pd. Salaries £24 10s. and P.C. Payments 17/6			
Feb.	1.	Speight's Bill handed to Bank (122)	69	10	-
,,	3.	Bot. Goods (A) of Sam Matthews	37	10	11
,,	3.	Retired Bill, due this day (123)	120	-	-
,,	3.	Sold Goods (A) to Henry Speight	24	19	6
,,	5.	Sold Goods (B) to Bryde & Son	76	10	2
,,	6.	Bank notify that Speight's Bill is dishonoured with 3/- expenses (143)	69	13	-
,,	19.	Pd. Mathers & Co., £53 10s.; dis. 11/1.....	54	1	1
,,	20.	Bot. Goods (B) of Jones Bros.	86	1	11
,,	22.	Sold Goods (A) to Monteith Bros., £193 2 11 and recd. Bill (147)	86	10	9
,,	24.	Bot. Goods (B) of Walker & Sons	49	17	3
,,	28.	Paid Salaries £19 5s., and P.C. Payments ..	-	15	4
,,	28.	Paid Rates	12	5	6
Mar.	3.	Retired Bill, due this day (123)	180	-	-
,,	5.	Bot. Goods (A) of Sam Matthews	56	9	9
,,	14.	Accepted Jones Bros. Bill, 3 mos. £135, dis. 5/8 (148)	135	5	8
,,	20.	Recd. first and final Div. on Speight's Debt, 10/- in the £ (74, 95*a*)	47	6	3

Mar. 21.	Bot. Goods (A) of Jones Bros.	24	8	1
,, 22.	Sold Goods (B) to Bryde & Son	201	9	6
,, 24.	Gave S. Matthews Bryde & Son's Acceptance due April 8th (123)	100	-	-
,, 26.	Pd. Walker & Sons £47 10s.; dis. £2 7 3....	49	17	3
,, 31.	Pd. Salaries £21 15s.; P.C. Payments 14/5..			
,, 31.	Pd. John Murray 3 mos. int. £2 10; Pd. Rent	25	-	-
,, 31.	Bank charge Int. £21 15 9; Comm. £1 (92)..	22	15	9
,, 31.	Depreciation of Fixtures (82)	3	14	-
	Stock in hand (*A*) £1376 3 11 (*B*) £1703 14 8.			

Answer:—*Gross Profit on A Dept.* £144 3 6; *on B Dept.* £107 7 10; *Net Profit* £68 15 7, *Bal. of R.M. Cap. A/c.* £998 14 4, *F. W. Cap. A/c.* £665 16 3, *Total of B/S.*£4005 5 2.

167. MORTGAGES, which are either legal or equitable, are pledges of real or leasehold property given as securities for money advanced. A **legal mortgage** is one where the borrower, known as the *mortgagor*, executes a deed charging his property in favour of the lender, who thus becomes the *mortgagee* Such a deed contains a proviso for redemption, entitling the *mortgagor* to a reconveyance of his property on repayment of principal together with interest and costs to the *mortgagee.* An **equitable mortgage** is one of any other kind, even a mere deposit of title deeds by a debtor with his creditor, without verbal communication, is deemed evidence of a contract for a mortgage of the estate referred to in such deeds. The stamp duty on mortgages is 2/6 per £100.

Perhaps during the course of your business career you may wish to raise a sum of money. You possess land and buildings which you do not care to sell; therefore you offer a mortgage upon them, say to Smith, for £2000, which sum you borrow at 4%. To obtain such an amount the property should be worth not less than £3000 (the £1000 difference being the "margin") in order to afford a good security to Smith, the *mortgagee.* As *mortgagor*, you would sign the mortgage (which would be prepared by a Solicitor) and hand over the title deeds of the property to Smith. This security might be redeemed at any time on giving due notice to the *mortgagee*, or on the latter calling in the money. In case of default in payment of either principal or interest by you, the *mortgagee* could sell the estate and repay himself the amount

owing. On obtaining such a loan you would open and Cr. **John Smith, Mortgage A/c.** debiting either Cash or Bank. On repayment of the whole or any portion of the *principal* you would debit the Mortgage A/c. All payments of **interest,** being losses, would need debiting to the Int. A/c., and *not* to the Mortgage A/c. The amount of the mortgage must be shown in the B/S. among the Liabilities, and must *not* be deducted from the value of the premises on the Assets side. **Foreclosure** is the forfeiture by a mortgagor of his equity of redemption, by reason of his default in payment of the principal or interest of the mortgage debt within a reasonable time.

168. OVERDRAFT is the term applied to the sum of money owing by a customer to his banker on *current account*, as distinguished from a specific *loan*. It is part of the business of a banker to advance money to his customers by allowing them to overdraw their A/cs. Interest is, of course, charged from day to day, for the amount overdrawn. Before allowing an a/c. to be overdrawn, bankers generally insist on some security being given, such as a Bond by some responsible person ; the deposit of title deeds ; stock and share certificates, assurance policies, etc. The deposit of such securities is usually accompanied by a written memorandum of agreement called an "equitable mortgage," setting forth the conditions of the loan, and stating that the deposit of certain valuable documents are as a guarantee. Occasionally a legal mortgage of land and buildings is given as security. In the case of a *further* security being given for a loan or overdrawn a/c., besides the debtors' promise, bond, or mortgage, the latter would be called the **principal security ;** while the extra or additional guarantee would be termed a **collateral security,** which is a deed charging further property, besides that already mortgaged, for the better safety of the banker. In commencing an exercise where an **overdraft** had been obtained from the Bank, the amount thereof must be entered on the *Cr.* side of the Cash Book. The overdraft would be shown in the B/S. among the Liabilities.

169. CONTRACTS. A contract is an agreement entered into between competent persons with a lawful consideration or cause whereby each person binds himself to do, or abstain from doing certain acts. An undertaking to do certain work or supply certain articles for a specified consideration. Just as you open separate a/cs. for consignments, for the purpose of ascertaining the result of a special branch of business, so you must open a special a/c. whenever you enter into an agreement to do certain work at a stipulated figure, in order that you may know the result of such an undertaking. You will open an **impersonal a/c.** headed **Contract a/c.** and debit it with the cost of material, cartage, use of plant, workmen's wages, incidental expenses, &c., and credit it with any instalments received during the progress of the work; and on completion credit it with the balance of the contract price (if any). When plant, &c., which has been used upon a contract is sold at a depreciation, the *difference* between its valuation on the contract and the price realised, must be debited to the Contract A/c. affected. The *difference* of the Contract a/c. when complete, being a gain or loss must be carried to the P/L. A/c. Should the contract be *incomplete*, the *difference* will be an *asset*, and must therefore appear in the B/S. If a balance remains owing on the *completion* of a contract it must be transferred through the journal to the **personal a/c.** of the debtor with whom you have contracted.

Dr. **Contract No. 17** (Ex. 45) **Cr.**

1887		£	s.	d.	1887		£	s.	d.
Feb. 1	To Balance b/d ...	449	19	7	Feb. 4	By Cash on A/c. ...	754	-	-
,, 2	,, Wages	75	16	-	,, 25	,, ,, (Final) ...	1000	-	-
,, 4	,, Insurance	4	10	-					
,, 9	,, Wages	86	4	-					
,, 14	,, Materials	432	-	-					
,, 16	,, Wages	31	6	-					
,, 20	,, Materials	124	-	-					
,, 23	,, Wages	74	15	3					
,, 28	,, *Transfer to P. & L. A/c.*	475	9	2					
		£ 1754	-	-			£ 1754	-	-

Dr. **Contract No. 19** (Ex. 45). **Cr.**

1887		£	s.	d.	1897		£	s.	d.
Feb. 1	To Balance b/d ...	683	12	-	Feb. 6	By Cash on A/c. ...	350	-	-
,, 2	,, Wages	51	10	6	,, 28	,, *Balance c/d*	1329	2	4
,, 5	,, Materials	241	7	6					
,, 9	,, Wages	32	17	-					
,, 14	,, Materials	216	-	-					
,, 16	,, Wages	82	5	8					
,, 20	,, Materials	314	5	8					
,, 23	,, Wages	52	4	-					
	£	1679	2	4		£	1679	2	4
Mar. 1	To Balance b/d ...	1329	2	4					

170. While the above method of recording transactions is quite correct, and shows all the facts in a concise form as well as in such a manner as would be acceptable at a public examination; still in **practical work,** the cash instalments would *not* be passed through the Contract A/c. at all, but a **personal a/c.** would be opened for the same. On *completion* of the Contract the *total value* of the contract would, by a journal entry, be debited to the debtor and credited to the Contract A/c. The following examples illustrate this method.

Dr. **Contract No. 125** (Ex. 50.) **Cr.**

1894		£	s.	d.	1894		£
Jan. 1	To Balance b/d	1315	10	4	Jan. 28	By Mercia Tank Proprietor's A/c.	3100
,, 9	,, Materials	132	7	6			
,, 13	,, Wages	107	5	-			
,, 27	,, Wages	22	11	-			
,, 31	,, Inspector's Fees	31	10	-			
,, ,,	,, *Transfer to P. & L. A/c.*	1490	16	2			
	£	3100	-	-		£	3100

Dr. **Mercia Tank Proprietors.** (Ex. 50) **Cr.**

1894		£	1894		£
Jan 28	To Contract No. 125 ...	3100	Jan. 6	By Cash	1000
			,, 28	,, Cash	1650
			,, 31	,, *Balance c/d*	450
	£	3100		£	3100
1894					
Feb. 1	To Balance b/d	450			

EXERCISE 44. (*Society of Arts*, 1886.)

A. Draw out a *pro forma* balance sheet, such as you would consider suitable for truly exhibiting the condition of affairs of a Gentleman Farmer. **B.** What special books, and for what special purposes, would be required in a full system of accounts for *any one* of the following classes of traders:—(*a*) A Brewer, or (*b*) An Iron-founder, or (*c*) A Stock-Broker.

C. Alf. Leaf and Ben Berry are in partnership as Tea Dealers, the latter only being engaged in the management of the business. Leaf has to his credit as partnership cap. £5126 15 6, on the 1st Jan., 1886, and Berry at the same date, £1450. Berry receives £300 per ann. for management, and each partner is credited with int. at 5% on his cap. after which the profits or losses are divisible, three-fifths to Leaf, and two-fifths to Berry. They owed Hy. Green £421 7 6. Wm. Black £135 15 9. Sundry persons £202 5 3. Their acceptances, Nos. 9, 10, 11, were current, £956 17 4. Their Trading Property comprised:—Amounts owing by Henry Stoker, £238 7 5. Gross & Co., £532 6 8. Barnard & Fox., £641 9 6. Peter Jones, £378 10 9. Sundry persons, £968 17 4.

Cash at Bankers, £1957 8 9. In hand		£67	5	8
Stock-in-Trade, £2377 5 3; Fittings and Furniture ..		329	10	6
Bills Receivable:—Nos. 27, 28, and 29		801	19	6
Jan. 1.	Sold Small & Great, 160 Chests Congou 3220 lbs. @ 2/3	362	5	-
	Received their bill for same @ 2 months (147)			
	Paid sundry a/cs. by cheques	85	17	6
,, 2.	Bought of W. Black, 200 Chests Moning 4000 lbs. @ 1/4½	275	-	-
	Paid Freight charges and Duty by cheque ..	137	6	8
	Paid sundry trade expenses by cash	21	5	9
,, 3.	Received, per Traveller, sundry amounts as per sheet, remitted to Bank direct	427	3	9
	Sundry ready money sales	14	3	7
,, 5.	Sold Stoker 40 chests Gunpowder 796 @ 3/2..	126	-	8
	Recd. his cheq. and pd. into Bank (dis. £3 3 8)	122	17	-
,, 6.	Sold P. Jones 5 cwt. Java Coffee @ 95/-	23	15	-
	Recd. his bill at 1 mo., £400, dis. £2 5 9	402	5	9
,, 7.	Paid cash, salaries and wages	26	4	6
,, 8.	Bot. of H. Green, for 4 mos. bill, net, 200 chests Souchong, 4000 lbs. at 2/3	450	-	-
	Recd. cash of sundry debtors	52	1	8
	Bank recd. paym. of bill No. 27, due to-day (123)	176	8	8
,, 9.	Sold H. Stoker, 4 cwt. Trinidad Cocoa @ 105/-	21	-	-
,, 10.	Sold for cash, 2 cwt. Coffee @ 108/-	10	16	-
	Paid Rates and Taxes, cash.....	15	14	9
	Bank paid acceptance No. 10, due this day (123)	145	9	6

Jan. 12.	Sold for Bill at 3 mos. net to Silas Reid 80 chests Assam Tea, 1640 at 3/-	246	-	-
,, 14.	Received cash, sundry debts collected	84	2	3
,, 15.	Leaf drew out Cap. £500, B. Berry £100 by cheq.	600	-	-
	Paid sundry exs. and wages, cash	17	1	9
,, 16.	B/R. No. 28 due and received at Bank	428	2	6
	Paid Henry Green, cheque £420, Dis. £1 7 6	421	7	6
,, 19.	Sundry Cash Sales	37	8	6
,, 20.	Warehouse Rent, paid cheque	12	10	-
,, 21.	Paid Water Rate, cash	3	5	6
,, 22.	Bot. of Sam Long, 150 ch's. Congou, 3000 @ 1/10	275	-	-
,, 23.	Sold H. Stoker 6 cwt. of Coffee, at 95/-	28	10	-
,, 24.	Bot. of Wm. Vale, 25 cwt. Trinidad Cocoa @ 88/-	110	-	-
	Paid cash, travelling expenses	4	7	6
,, 26.	Recd Henry Stoker's cheque and pd. to Bank	235	-	-
,, 27.	Ready money sales	31	14	2
,, 27.	Paid cash, trade expenses and wages	9	5	-
,, 28.	Sundry cash sales	10	6	-
,, 31.	Credited Berry, management £25, int. on cap.	6	-	10
	Credited A. Leaf, interest on capital	21	7	2
	Bank paid Bill No. 11 due this day (123)....	375	-	-
	Value of Stock, £2835 9 6.			

Answer:—*Gross Profit*, £122 16*s.* 6*d.*; *Net Loss*, £43 8*s.* 2*d.*; *Balance of A.L. Cap. A/c.* £4622 1*s.* 9*d.*; *B.B. Cap. A/c.* £1363 13*s.* 7*d.*

Exercise 45. (*Society of Arts*, 1887.)

A. Explain the following terms:—Trial Balance, Depreciation, Gross Profits, Net Profits, Trading A/c., Revenue A/c.

B. K draws on L at 3 months from February 1st, for £250, and endorses the Bill to M. who discounts it with N on February 20th. Draw out this Bill in full form with Acceptance and Endorsements, mark its due date, and show in which books, and in what form, it will appear in the a/cs. of K. L. M. and N. respectively.

C. John Styles and Philip Brown, builders, had on the 1st Feb., 1887, respectively standing to their credit on Capital A/c. £6172 4 5 for Styles, and £5540 6 8 for Brown. The statement of their affairs at that date showed book debts owing to them by:—Harold Jones £728 5 11. Walter Wyes £314 7 6. Box & Cox £251 13 4.

B/R. Nos. 85 and 66		748	10 6
Contract No. 17—Expended thereon 5099 19 7			
Less Instalments recd. ..4650 - -	—449	19	7
Contract No. 18—Expenditure.....1425 6 6			
Less Instalments recd. ..1000 - -	—425	6	6
Contract No. 19—Expenditure.....2488 12 -			
Less Instalments recd. ..1800 - -	—688	12	-
Stock-in-Trade, £4956 5 8, Machinery and Plant	3615	-	-
Cash at National Bank £727 11 4. In Office	156	10	-

Their **Liabilities** at the same date comprised :—

B/P.Nos. 38 and 39, amounting to	564	10	6
A/cs. owing to David McVey £348 5 9, Ernest Ball	436	15	-

Each partner is credited monthly with interest at 5% on his capital, and the profits or losses are then equally divided. Pass all receipts and payments through bank, unless otherwise stated.

Feb. 1.	Bought of D. McVey, Peterhead, Granite ..	187	8	5
,, 2.	Drawn from Bank :—Wages, Contract No. 17	75	16	-
	Contract No. 18, £36 14 -, Contract No. 19	51	10	6
	General Wages	25	16	-
,, 4.	Accepted D. Mc. Vey's draft at 2 months (£15)	187	8	5
,, 4.	Received Instalment of Contract No. 17	754	-	-
,, 4.	Paid Fire Insurance Prem. for Contract 17 ..	4	10	-
,, 5.	Materials and cartage Contract No. 18	132	7	6
	Do. Contract No. 19	241	7	6
,. 6.	Received Instalment on Contract No. 19	350	-	-
,, 7.	Paid acceptance No. 38 (123).....	350	-	-
,, 9.	Received payment of Bill No. 65 (123)	438	-	-
,, 9.	Drew Cheq. for Wages, Contract No. 17	86	4	-
	Contract No. 19 £32 17 -, Sundry Wages ..	19	10	8
,, 9.	Completed Con. No. 18, and recd. final instalt.	900	-	-
,, 12.	Paid Rates, £28 15 - ; paid Salaries (cash) ..	31	10	-
,, 14.	Materials and cartage Contract No. 17	432	-	-
	Do. Contract No. 19	216	-	-
,, 16.	Received payment of Bill No. 66 (123)	310	10	6
,, 16.	Paid John Styles, Drawings (78)	300	-	-
,, 16.	Drew Cheque, Wages, Contract No. 17.....	31	6	-
	Do. Con. No. 19, £82 5 8 ; Sundry Wages	14	10	-
., 18.	Received Cash, sundry sales.....	15	8	6
,, 18.	Paid E. Ball's A/c. £430 ; Dis. £6 15.....	436	15	-
,, 18.	Rent of Yard due	48	-	-
,, 18.	Paid Philip Brown, Drawings (78)	300	-	-
,, 20.	Materials and cartage Contract No. 17	124	-	-
	Do. Contract No. 19	314	5	8
,, 20.	Recd. W. Wyes, £310 ; Dis. £4 7 6	314	7	6
,, 20.	Recd. of Box and Cox, final div., 17/6 in the £	220	4	2
,, 23.	Paid Wages, Contract No. 17, £74 15 3 ; No. 19	52	4	-
,, 23.	Bot. of Shaw & Co., Bricks as per invoice....	215	-	-
,, 25.	Completed Con. No. 17 and recd. final Instalt.	1000	-	-
,, 26.	Paid Cash, Sundry Exs.....	21	13	-
,, 26.	Received Cheque, H. Jones	500	-	-
,, 28.	Interest on Capital, J.S. £25 13 4 ; P.B.	23	1	8
,, 28.	Paid Sundry Wages, Cash	31	7	6
	Allow for wear and tear of plant (82)	31	10	-
	Stock on hand, £3027 7 9.			

Answer :—*Profit on Con.* 17, £475 9 2 ; *on Con.* 18, £305 12 0 ; *Loss on Materials*, £855 17 2 ; *Net Loss*, £405 4 10 ; *Bal. of J.S. Cap. A/c.*, £5695 5 4 ; *P.B. Cap. A/c.*, £5060 15 11. *See p.* 174.

Exercise 46. (*Society of Arts*, 1889.)

A. "The Secretary of State for India in Council hereby announces that until further notice sealed Tenders will be received at the Chief Cashier's Office at the Bank of England, up to two o'clock on Wednesday in each week, for Bills of Exchange on the several governments of India, payable on demand at Calcutta, Madras, or Bombay." Explain distinctly the object and purpose of this advertisement, and what would be secured by a successful tender for Rs. 50,000. **B.** Explain the following terms :— General Average. Trial Balance. Amortisation. Usance. Tare.

C. Saml. Higgins and Geo. Bruce, coal merchants, for many years divided their profits in the following manner. Each partner was credited with int. 5% per ann. on his cap. at the end of the year, and the bal. of net profit was then equally divided. The partnership deed provided that on the death of either of them the survivor should take the business and enter into a bond with the executors of the deceased partner to pay out, within a term of years, the amount of his cap., with proportion of int. and shares of profits at the date of death. Higgins died on the 13th Feb., 1889. You are required to ascertain the amount of cap. of the respective partners at the dissolution by death. On the 1st of Jan., 1889, Higgins had £2371 17 8 cap. and G. Bruce, £2025 10 6.

They had a stock of coals on hand amounting to £2847 14 9
On consignment to W. Jansen in Heligoland – coals at cost 451 3 6
They owed to the United Mining Co. 724 9 7
To Great Northern R. Co. £185 15 1. Philip Wood.. 976 2 4
They had given bills to Woodhouse & Lane, No. 127.. 86 4 10
Cook & Co., No. 128 ..... 101 19 -
And they possessed railway waggons, horses and carts.. 1299 18 -
Cash at Bankers £876 4 9. In office 74 3 8
They held B/R.:—No. 48 W Grey £49 7 6, No. 49 T. Black £27 16 8,. No. 50 H. Johnson £128 10 205 14 2
Debtors on open a/cs.:—William Robins £127 9 6. Josh. White £78 15 -. Peter Stokes £109 10 -. Sundry persons £401 5 8

1889. *All Cheques received paid into Bank same day.*
Jan. 2. Sold Peter Stokes, for Cash, 50 tons Kitchen Brights @ 17/6 ..... 43 15 -
,, 4. Recd. from him cheq. and pd. to Bank..... 75 - -
,, 5. Paid Wages by Cash £32 1 6
,, 7. Bought of the Union Mining Co. 200 tons @ 10/- for acceptance at 2 mos..... 100 - -
,, 7. Paid G.N. Ry. charges by cheque ..... 45 - -
(*Enter in C.B.* "*By Great Northern Ry. Co.*, £45.")
(*This was previously debited to the Coal A/c., therefore the answer is now altered, the profit being increased by* £45.)
,, 9. Bank paid Cook & Co's bill, No. 128 ..... 101 19 -

Jan. 10.	Shipped on consignment to W. Jansen, Heligoland, 500 tons coal at 15/6 (150).....	387	10	-
,, 10.	Pd. cash, shipping charges, freight and insce.	41	15	-
,, 11.	Recd. of W. Robins cheque £125, Dis. £2 9 6	127	9	6
,, 12.	Paid rates and sundry expenses, cash.....	5	1	3
,, 13.	Sold Henry Johnson 300 tons @ 21/-.....	315	-	-
,, 13.	Recd. his cheq. £100, and 2 mos. bill £215 ..	315	-	-
,, 15.	Recd. of W. Jansen, Heligoland, A/S. with sight draft, total sales, *less* com. £24 5 1	558	16	6
,, 17.	Bank paid acceptance No. 127 (123)	86	4	10
,, 18.	Sold Thomas King 140 tons @ 22/6	157	10	-
,, 18.	Received his cheque less 2½ per cent. dis.....	153	11	3
,, 18.	Received cash, sundry debts collected	107	5	8
,, 19.	Received cash, sundry land sales of coal	45	7	6
,, 19.	Paid Wages by Cash	24	1	9
,, 21.	Paid Union Mining Co. on a/c. by cheque ..	500	-	-
,, 21.	,, Great Northern Railway do. ..	137	4	8
,, 24	Recd. of W. Jansen, sight draft and closing consignment a/c., *less* com. £19 4 6	388	11	6
,, 25.	Bought of P. Wood 18 new coal trucks @ £40 for a bill @ 3 mos.	720	-	-
,, 26.	Received cash, sundry amounts collected	74	10	-
,, 26.	Received cash, land sales of coal	18	1	7
,, 26.	Paid cash to bankers	165	-	-
,, 27.	Accepted and recd. of J. White, cheque for composition of 10/- in the £ in full discharge	39	7	6
,, 27.	Sold Stokes 500 tons @ 20s. 6d. for 2 mos. bill	512	10	-
,, 28.	Bank recd. payment of bill, W. Grey, No. 48	49	7	6
,, 28.	Paid sundry rates and taxes, by cash.....	3	15	8
,, 31.	Paid rent of coal wharf, by cash	10	7	6
,, 31.	Sold William Robins 180 tons @ 21/-	189	-	-
,, 31.	Received cheque on a/c.	105	-	-
Feb. 1.	Samuel Higgins drew out by cheque	200	-	-
,, 1.	George Bruce drew out by cheque	200	-	-
,, 1.	Received cash, proceeds land sales of coal ..	21	7	6
,, 2.	Paid Wages by cash	28	1	7
,, 2.	Sold T. King for 3 mos. bill 300 tons @ 17s. 6d.	262	10	-
,, 3.	Received cash, sundry amounts collected....	28	15	-
,, 4.	Bot. of Philip Wood, 400 tons @ 12/-	240	-	-
,, 4.	Paid him cheque on account	900	-	-
,, 5.	Bank recd. of T. Black, payment of bill No. 49	27	16	8
,, 6.	Paid Bank, Johnson's bill for collection (122)	128	10	-
,, 8.	Sold T. King 150 tons @ 20/- for 2 mos. bill..	150	-	-
,, 8.	Recd. from bank, H. Johnson's dishonoured bill Charges debited thereon (143)	128 1	10 5	- -
,. 12.	Sold W. Robins, for Cheque, 250 tons @ 18/-	225	-	-
,, 12.	Recd. of H. Johnson cheq. for bill and charges	129	15	-
,, 13.	Partnership dissolved to-day by death of Higgins, on whose cap. int. had accrued....	9	15	4

Int. accrued on George Bruce's capital	9	-	6
Depreciation written off waggons, carts, &c., (8)	73	10	-

The Stock-in-trade was valued at £1261 5 9.

Answer :—*Profit on Coal*, £401 2s. 7d. ; *on Consignment*, £66 19s. 6d. ; *Net Profit*, £226 11s. 3d. ; *Bal. of S. Higgins' Cap. A/c*,, £2294 18s. 8d, ; *G. Bruce's Cap. A/c.*, £1947 16s. 7d.

Exercise 47. (*Society of Arts*, 1890.)

A. Has Double entry any advantages over Single Entry ? State categorically the grounds of your opinion. **B.** Define—Real A/cs , Personal A/cs., Nominal A/cs. How are Nominal A/cs. closed?

C. Henry Fox, iron merchant, at Jan. 1st. 1890, had a bal. at his bankers of £1724 10 -, and cash in office £85 16 4. His bills in hand amounted to £704 7 6, being acceptances No. 74, £186 17 6; No. 76, £300 ; and No. 77, £217 10 -. Debts owing to him on open a/cs. were by, Joseph Ball, £58 19 -; Thos. King, £275 18 4 ; Wm. Wright, £285 9 9 ; and Henry Dale, £178 10 -. He had also goods on consignment with Hy. Poole, Smyrna, of the cost value of £680. His freehold business premises were valued at that date at £1740, and his stock-in-trade at £2876 15 -. He had given acceptances which were then current, as follows :—No. 43, £281 10 - ; No. 44, £250 ; No. 45, £140 16 8. He owed on open a/cs. to Sims & Co., £85 1 6 ; Jones & Young, £41 17 - ; Percy Bright, £60 ; John Kerr, £102 5 6. Find and credit his capital.

On the same date he admitted as partner Joseph Crane, who paid into the bank a/c. £3000 as his cap., to receive in accordance with the deed of partnership, one-fourth of the profits, Hy. Fox guaranteeing the debts then owing to the concern, and reserving a preferential claim to the extent of £50 on the first month's profits in respect of business previously done. All amounts for £5 or over were paid by cheque, all under that amount in cash unless otherwise stated. All cheques recd. were paid into the bank the same day.

Jan.	2.	Bought of Sims & Co., for 4 months bill, less 2½ per cent. 100 tons angles, @ £8 (147)	800	-	-
,,	3.	Paid them cheque £81, dis. £4 1 6	85	1	6
,,	3.	Sold Henry Dale, for prompt cash, less 2½ per cent, 20 tons bars @ £9.....	180	-	-
,,	5.	Received payment of bill No. 74 (123)	186	17	6
,,	5.	Sold Hugh Forbes, for 2 months bill, 12 tons fish plates @ £8 (147)	96	-	-
,,	6.	Shipped on consignment to Henry Poole, Smyrna, 80 tons angles at £8 (150)	640	-	-
,,	6.	Pd. freight, insurance, and charges thereon..	56	2	9

Jan. 6.	Debited Sims & Co., for short delivery angles 1 ton 15 cwt. @ cost	13	13	-
,, 6.	Paid Wages	4	5	-
,, 8.	Pd. fire insurance on office and warehouse	3	5	-
,, 8.	Recd. payment bill No. 77 due this day (123)	217	10	-
,, 10.	Sold on commission @ 2/6 per ton for the Western Steel Co. to Joseph Ball, 70 tons steel rails @ £7 per ton on 3 mos. bill (161).	490	-	
,, 10.	Endorsed and forwarded same acceptance to Western Steel Company			
,, 10.	Debited them with commission	8	15	-
,, 12.	Bought of Percy Bright, 12 cwt. rivets @ 22/-	13	4	-
,, 12.	Paid him £70. Dis. £3 4s.	73	4	-
,, 13.	Sold Hugh Forbes, 10 cwt. rivets @ 25/6 for net cash at one month	12	15	-
,, 13.	Paid Wages	4	5	-
,, 15.	Recd. of H. Poole, A/S. and sight draft	750	6	8
,, 15.	Received of William Wright, cheque	280	-	-
,, 16.	Paid John Kerr, £100. Discount £2 5 6	102	5	6
,, 17.	Paid Water Rate	2	12	6
,, 17.	Recd. Western Steel Co.'s cheq. for commission	8	15	-
,, 18.	Retired under discount acceptance given to Sims & Co., 2nd inst., for (145)	768	10	-
,, 19.	Sold W. Wright for 3 mos. bill, 100 tons bars	850	-	-
,, 20.	Paid Wages	4	5	-
,, 22.	Bought of Western Steel Co., 40 tons steel sleepers @ £7 10 -. Pd. cheq. *less* 2½%	292	10	-
,, 23.	Paid Poor Rates	5	3	4
,, 25.	Paid acceptance due this day, No. 43 (123)	281	10	-
,, 25.	Received of Henry Dale, cheque on a/c.	150	-	-
,, 26.	Paid Jones & Young £40 15. Dis. £1 2	41	17	-
,, 27.	Recd. of Trustee of Thomas King, first and final Dividend of 19/- in the £ (95*a*)	262	2	5
,, 27.	Debited loss hereon to H. Fox's separate a/c.	13	15	11
,, 27.	Paid Wages	4	5	-
,, 28.	Received A/S., sight draft, and stock a/c. from H. Poole, Smyrna, consignment (150)	420	-	-
,, 30.	Paid Plumber's account, warehouse roof	2	1	9
,, 30.	Paid acceptance No. 44, due this day (123)	250	-	-
,, 30.	Received cash, sundry small sales	9	15	-
,, 31.	Paid Clerk's salary	12	10	-
	Debited depreciation of premises (82)	5	-	-
	Petty Expenses paid for month	4	13	8
	Credited H. Fox, rent of warehouse and office	10	-	-
	Value of Stock on hand—cost price	2346	7	4
	,, ,, *consignment, Smyrna*	338	4	6

Answer:—*Profit on Iron*, £158 11 4; *on Consignment*, £132 8 5; *Net Profit*, £232 11 6; *Bal. of H. F. Cap. A/c.*, £7869 8 -; *J. C. Cap. A/c.*, £3058 2 10; *Total B/S.*, £11,068 7 6.

Exercise 48. (*Society of Arts*, 1891.)

A. Write out a silk mercer's invoice for goods sold amounting to more than £100; and give the form of a bill at 3 months' date, drawn by the mercer on his customer for the amount. **B.** Explain these terms :—Current A/c., B/L., Tare, F.o.b., Consignment.

C. Miles Hodge, Contractor, **had** on July 1st, 1891, cash in office, £128 5 9, and in bank, £2124 7 6; stock of building materials on hand, £1248 16; his leasehold building yard and fixed plant, worth £4275; horses, carts, and loose plant, £876 10. Contracts, unfinished :—High School, work done, £2143; less cash received on account, £2000. "Star" Hotel, work done, £5820; less cash received on account, £4960. Sundry trading debtors :—Peter Smith, £58; John Wright, £87; Edward King, £38 10; promissory note in hand, £125. **He owed** to Sands & Co., £164 10; Rupert Malkin, £520; Hans Breek, £289; Pole & Co., £823. Acceptances of his were out, No. 16, due July 9th, £536; No. 17, July 17th, £426; No. 18, July 21st, £126 10. All receipts and payments unless otherwise stated, were by cheque. (Par. 168.)

July	1.	Bought for cash, scaffold poles	£13	10	-
,,	2.	Recd. of Peter Smith, cash less discount	55	10	-
,,	3.	Received on a/c. "Star" Hotel	250	-	-
,,	3.	Bought of Hans Breek, bay horse, four years old for bill at 2 months (148)	55	-	-
,,	4.	Received payment on promissory note (123)..	125	-	-
,,	4.	Paid Wages :—High School contract.....	138	4	6
		"Star" Hotel £259 5, general wages in yard	13	4	-
,.	6.	Purchased bricks from Pole & Co.	848	10	-
,,	6.	Gave them promissory note @ three mos. (148)	600	-	-
,,	6.	Paid them cheque	1000	-	-
,,	7.	Took contract for retaining wall, Local Board for £1200. Paid sundry fees and exp.....	8	8	-
,,	7.	Sold bricks to William Pope.....	234	-	-
,,	7.	Received cheque £117 and P/N. £117 at 2 mos.	234	-	-
,,	8.	Materials supplied to Local Board Wall (168)	32	-	-
,,	9.	Paid bill No. 16	536	-	-
,,	10.	Received cash ready money sales.....	112	4	6
,,	10.	Paid Wages :—High School contract.....	131	15	-
		"Star" Hotel contract	164	10	-
		Local Board wall £14 9 6, general in yard..	10	4	-
,,	11.	Material for High School	241	7	-
,,	11.	Material for "Star" Hotel	305	6	6
,,	13.	Bot. of Hill & Co., Bath stone as per inv.....	256	9	-
		Accepted their draft @ 2 mos. (148)	256	9	-
,,	14.	Received of John Wright cheque on a/c	75	-	-
,,	15.	Paid Rupert Malkin £500. Discount £20....	520	-	-
,.	16.	Paid Wages on High School contract.....	15	6	-
		Materials on High School contract.....	31	7	-
		(Con. completed, Architect's certificate received)			

July 17.	Sold old horse for cash	£17	10	-
,, 17.	Paid bill No. 17 (123)	426	-	-
,, 18.	Wages paid on "Star" Hotel	84	9	-
,, 18.	Materials "Star" Hotel	124	6	6
,, 18.	Wages paid on Local Board wall	78	15	-
,, 18.	Materials Local Board wall	110	4	6
,, 20.	Received instalment "Star" Hotel	500	-	-
,, 21.	Paid acceptance No. 18 (123)	126	10	-
,, 22.	Recd. of E. King cheque £36. Dis. £2 10	33	10	-
,, 23.	Recd. final instalment High School Con.	827	-	-
,, 24.	Paid Hans Breek cheq. £280. Dis. £9	289	-	-
,, 25.	Paid Wages "Star" Hotel contract	56	9	-
,, 25.	Paid Wages general, in yard	9	9	-
,, 25.	Paid Wages Local Board wall	84	16	-
,, 25.	Materials Local Board wall	143	9	6
,, 25.	Materials "Star" Hotel	151	7	6
,, 27.	Paid Sands & Co. on account	100	-	-
,, 27.	Drew out for personal expenses (78)	75	-	-
,, 28.	Sold Peter Smith slates as per invoice	28	12	-
,, 29.	Received instalment from Local Board on account of retaining wall	350	-	-
,, 30.	Bought of Keys & Co., flooring boards and rough framing as agreed	110	-	-
	Gave them promissory note at 1 month (148)	110	-	-
,, 31.	Wages paid on "Star" Hotel contract	85	3	6
,, 31.	Wages paid general in yard	7	10	-
,, 31.	Wages paid Local Board wall	52	10	-
,, 31.	Materials Local Board wall	115	-	-
,, 31.	Materials "Star" Hotel contract	201	-	-
,, 31.	Water supplied, "Star" Hotel contract	4	10	-
,, 31.	Water supplied, Local Board wall	3	9	9
,, 31.	Paid salaries for month	41	10	-
,, 31.	Depreciation of horses and loose plant (82)	8	10	-
,, 31.	Depreciation of buildings and fixed plant	22	15	-
,, 31.	*Stock of building materials on hand*	931	14	6

Answer.—*Profit on Materials*, £298 4 6 ; *on High School Con.* £126 0 6 ; *Net Profit*, £335 3 0 ; *Bal. of Cap.*, £7339 12 3.

Exercise 49. (*Society of Arts*, 1893.)

A. How are the following classes of Accounts closed :—
Personal A/cs., Discount A/cs., Goods A/cs., P. & L. A/cs.

B. April 1st, Black borrows £150 from White and accepts his draft at 3 months for the amount. White discounts this acceptance a month later with the Notable Discount Company. Give the accounts as standing in Black's and White's Ledgers respectively.

C. On 1st January, 1893, John Andrew, hotel proprietor, commenced business with the following **Dr. Balances :**—Freehold

Premises, £5000; Bank balance, £1418 17 6; Cash in house, £155 18 2; Furniture and Fittings, £450; Wines, spirits, ale and minerals, £243 15 10; Tobacco and Cigars, £35 0 3; Poultry, meat, &c., £5 10 2; Groceries, £27 18 6; Sundry stores on hand, £142 8 7; Sundry outstanding visitors; a/cs., £50 7 10.

He owed:—John Smith, £172 8 8; Amos Jones, £9 18 4; Wm. Taylor, £23 5 6; Jas. Watson, £41 18 6; Sundry persons, £92 17 4.

Jan. 1.	Received cash from visitors	40	5	6
,, 1.	Paid into bank	100	-	-
,, 2.	Paid W. Taylor, cheque	23	5	6
,, 2.	Paid James Watson, cheque	38	-	-
,, 4.	Bought of Walter Berry, carpets	62	5	-
,, 4.	Paid J. Smith, cheque £150, Dis, £3 11 8	153	11	8
,, 5.	Recd. cheque from J. Sims for amount written off last year as a bad debt (74)	8	15	-
,, 6.	Bought of Fred Wilkinson, sundry stores	28	13	11
	Paid cash £28 5 -, dis,, 8s. 11d.	28	13	11
,, 7.	Paid A. Jones by cheque	9	18	4
,, 8.	Bar and Billiard-room receipts for week	36	14	5
,, 9.	Paid into bank	60	-	-
,, 11.	Paid poor rates by cheque	13	5	-
,, 11.	Paid James Watson by cheque	3	18	6
,, 13.	Received statement from Wilfred Simpson for carriage hire on a/c. of visitors	4	3	9
,, 13.	Paid W. Berry by cheque	62	5	-
,, 14.	Received cheque from visitor gave him cash, and paid cheque into bankers	25	-	-
,, 14.	Bought of A. Jones, cigars, as per invoice, subject to 2½ per cent discount	50	-	-
,, 15.	Bought Furniture of William Dunn	132	17	6
,, 15.	Recd. C.N. from him for old furniture in exchange	38	5	8
,, 15.	Paid cash for sundries	6	18	11
,, 16.	Paid cash on a/c. of washing for visitors	3	9	4
,, 16.	Bought of J. Smith, wine in bond	63	17	6
	Paid H. M. Customs duty on same, cash (155)	15	10	-
,, 18.	Paid A. Jones by cheque (see Jan. 14)	48	15	-
,, 18.	Sundry bar and billiard-room receipts	42	10	7
,, 19.	Paid gas a/c cash	9	4	8
,, 19.	Paid W. Dunn by cheque	94	11	10
,, 20.	Bot. of W. Taylor, poultry, &c., per his book	29	15	4
,, 22.	Bought of J. Watson, groceries	23	2	8
,, 22.	Paid for sundries in cash	42	17	7
,, 23.	Received Statement from W. Simpson for Carriage hire on a/c. of visitors	5	2	3
	Paid him cheque	4	3	9
,, 25.	Paid J. Watson cheque £22, dis. £1 2 8	23	2	8
,, 25.	Paid Taylor cheque £28 12 2, dis. £1 3 2	29	15	4
,, 26.	Sundry bar and billiard-room receipts	45	11	3
,, 28.	Bought for cash, sundries	15	18	5

Jan. 29.	Bought of J. Smith, ale as per invoice	23	10	-
	Paid him cheque £22 5 -, dis. £1 5 -	23	10	-
,, 30.	Sundry bar and billiard room receipts	36	9	8
	Cash received during January from visitors' bills and paid into bank.....	338	11	7
	Credit interest on capital	30	-	-
	Wages and Salaries due this day	24	3	4
	Depreciation in Furniture (82).....	4	10	-
	Sundry outstanding visitors' accounts	47	2	11
	Stocks on hand;—*Wines, spirits, ales, minerals*, £109 13 2, *Tobacco and Cigars*, £53 8 8; *Poultry, meat, &c.*, £3 7 6; *Groceries*, £18 15 2; *Sundry stores*, £49 18 11.			

Answer.—*Net Loss*, £59 3 1; *Bal. of Cap. A/c.*, £7160 5 5.

Exercise 50. (*Society of Arts*, 1894).

A. "Forty lakhs of remittances on India were offered for tender, but the only response was an application for Rs 26000 in Bills at 1/3 with the result that the council made no allotment." (*Times*, City Article, October 5th, 1893.) Comment on and explain this paragraph. **B.** Define "Bank Rate." How is it settled? What objects are sought by its advance or reduction?

C. The following shows the state of affairs of Messrs. John and Joseph Tough, ironwork contractors, at January 1st, 1894. Credit each partner with 5 per cent interest on his capital, and carry the amount of the profit or loss in equal shares to their respective capital accounts. All payments over £5 by cheque; under that amount in coin; all receipts paid into bank same day. *Liabilities*:—Capital—John Tough, £13057 14 1; Jos. Tough, £15960 1 6. Creditors—Peter Jones, £923; John Smith, £1027 16 -; Hy. Brown, £450; B/P. No. 391, £1000; No. 392, £850 10 -. Instalments recd. on current contracts:—No. 124, Wessex Bridge, £960; No. 125, Mercia Tanks, £1845; No. 126, Cantia derricks, £2460. Mortgage on premises, £15000. (See par. 168.)

Assets;—Freehold works, £26000; Plant, machinery, and rolling stock, £5280; Bankers, £2456 1 9; Office Cash, £84 7 4; B/R. No. 248, £365. Debtors:—Thos Tiger, £1254 9 3; Edward Eagle, £1215 10. Current contracts—value of work done:—No. 124, £1530 2 9; No. 125, £3160 10 4; No, 126, £5130 12 8; No. 127, Devonia viaduct, £815 10; Materials on hand, £6241 17 6.

Jan. 1.	Bot. of J. Smith, 100 tons plates @ £7.....	£700	-	-
,, 2.	Paid him cheque	1200	-	-
	Do. bill at 2 mos. (148)	500	-	-
,, 3.	Paid rates and taxes	31	7	6
,, 4.	Received payment, Bill No. 248 (123)	365	-	-
,, 6.	Received instalment, contract No. 125	1000	-	-
,, 6.	Paid sundry petty expenses	4	16	-

Jan. 6.	Paid fire insurance		32	1	6
,, 8.	Took contract for Anglia girders, No. 128	1250	-	-	
,, 9.	Paid bill No. 392 (123)		850	10	-
,, 9.	Bot. of P. Jones for cash, 45 cwt. rivets @32/-		72	-	-
	Materials supplied to date -—Con. No. 124 ..		248	15	-
	No. 125, £132 7 6, No. 127, £315 9 8, No.128		264	7	6
,, 11.	Received of Thomas Tiger, cheque		400	-	-
,, 12.	Contract No. 126 completed and passed and balance of contract received		3500	-	-
	Partners' drawings £500 each (78)		1000	-	-
,, 13.	Bought of Henry Brown for 2 months bill, 50 tons angles @ £7 10 (148)		375	-	-
,, 13.	Drew chq. for wages pd. this day:—Con. No. 124		222	6	-
	Con. No. 125 £107 5 ; Con. No. 126 £5 15 6				
	Con. No. 127 £128 18 6. Con. No. 128		52	3	4
,, 16.	Paid Henry Brown, £430., Dis. £20		450	-	-
,, 17.	Received of Edward Eagle		1200	-	-
	Allowance on settlement		15	10	-
,, 18.	Received instalment on Contract No. 124		500	-	-
,, 21.	Bought of Stephen Spicer, timber as per inv..		142	3	6
,, 22.	Received instalment, Contract No. 128		350	-	-
,, 23.	Received sundry cash sales		18	1	6
,, 24.	Partners' drawings ; John Tough (78)		150	-	-
,, 24.	Paid Peter Jones		500	-	-
,, 25.	Paid bill, No. 391 due this day (123)		1000	-	-
,, 25.	Recd. of Thos. Tiger, bill at 3 months (147)..		841	3	6
,, 26.	Paid S. Spicer, £140. Dis. £2 3 6		142	3	6
,, 27.	Drew cheq. for wages pd, this day Con. No. 124		125	19	4
	No. 125 £22 11. No. 127 £173 7 11 No. 128		230	4	4
,, 27.	Recd. net proceeds sale by auction of loose plant, Con. No. 126, value in books, £350..		186	15	-
,, 27.	Paid office salaries for month		27	10	-
,, 27.	Received instalment Contract No. 127		1000	-	-
,, 28.	Con, No. 125 completed and passed. Final bal. due £2100. Instalment received		1650	-	-
,, 29.	Paid half-year's interest on mortgage (166) ..		300	-	-
,, 31.	Materials supplied to date :—Con. No. 124 ..		831	15	-
	Con. No. 127, £463 10 ; Con. No. 128		159	17	6
,, 31.	Paid Water Rate		10	4	6
,, 31.	Paid inspector's fees, Con. No. 125		31	10	-
,, 31.	Paid off Mortgage (166)		2000	-	-
	Depreciation of Buildings (82)		54	10	-
	,, of plant and machinery		24	6	-
	Int. on Cap., John £54 4 ; Joseph £65 15 3				
	Stocks of Materials....£4822 16 8.				

Answer:—*Profit on Con.* 125 £1490 16 2, *on Con.* 126 £660 6 10 ; *Loss on Materials* £274 - 8 ; *Net Profit* £1279 1 1 ; *Bal. of Cap A/cs.* : *John* £13101 8 7 ; *Joseph* £16165 7 4. *Total B/S.* £43592 11 11. *See pages* 174-5.

Exercise 51. (*Society of Arts*, 1896).

A. Explain the following terms :—Not Negotiable. Negotiable by endorsement. Statute of Limitations. Salvage. **B.** An agent issues about 50 cheques each day, and usually at the end of each month about 60 are current and not yet presented at the Bank. What means would you think best to ensure a correct list of these outstanding Cheques on the first day of the succeeding month ?

C. The following was the statement of affairs of Arthur Archer, wine merchant, on 31st Jan., 1896 (par. 79). *Liabilities* :—

Bills payable—No. 241, £187 16, No. 142, £150	£337	16	-
Overdraft at Bankers, £213 5 ; Concia & Co., Lisbon	824	17	6
Druitt and Duse, £596 10 -, Sundry Creditors.....	1438	10	9
Capital	4364	2	6
Assets ; -Stock in bond, in cellars and with agents	3070	15	-
Bills Receivable—No. 104, £137 ; No. 105, £50.	187	-	-
Stock on Consignment with Henry Hart, Montreal..	874	10	6
Europa Club, £185 6 -. Grant & Green	72	15	-
Sundry Debtors—Agents, £1144 9 6 ; Trade A/cs...	2240	5	9

On Feb. 1st, the business was transferred to Bruce Balfour on the following terms. The cap., together with a premium of £800 for Goodwill, to be paid on taking possession, in cash £1664 2 6, and three P/N. for £1000, £1000, and £1500 at 3, 4, and 6 mos., either of which might be retired at any time less a rebate of 6%, Balfour taking all the Assets with all profits and risks, and undertaking to discharge all Liabilities. Open and close the a/cs. for these particulars and the following transactions of Balfour. Receipts paid bank same day, and all payments, unless otherwise stated, by cheque.

Feb. 1.	Paid Cash into Bankers (*Balfour's Capital*)..	£3000	-	-
	Delivered to Arthur Archer, cheque.....	1664	2	6
	Delivered to A. Archer, 3 P/N. Nos. 243, 4 and 5, for £1000, £1000, and £1500.....	3500	-	-
	Drew cheque for office cash	50	-	-
,, 3.	Drew Bill, No. 106, @ 3 mos. on Europa Club which they accepted (147).....	150	-	-
,, 3.	Sold Kirk & Co., wines as per invoice.....	72	10	-
,, 4.	Received cash, sundry trade debts collected..	238	-	-
,, 7.	Paid traveller's commission and expenses ..	14	-	-
	Sold Kirk & Co. 10 cases champagne	38	10	-
,, 10.	Accepted Concia & Co.'s bill @ 3 months(148)	700	-	-
	Paid them cheque	124	17	6
,, 12.	Recd. from Hy. Hart, A/S. of consignment with sight draft net proceeds (152)	936	17	6
,, 15.	Paid Local Board rates	8	1	4
	Paid law costs transfer of business(*Trade Exs.*)	23	6	8
,, 18.	Received payment of bill No. 104 (123)	137	-	-
	Sold Lord Lingrove wines as per invoice ..	185	-	-

Feb. 19.	Recd. of Kirk & Co., cash £109, dis. £2	111	-	-
	Shipped on consignment to H. Hart wines (150)	742	-	-
	Paid shipping charges, freight, insurance....	13	12	6
,, 21.	Sold Europa Club 10 cases claret @ 45/, ...	22	10	-
,, 25.	Paid off bill No. 245 under rebate (145).....	1461	-	10
	Accepted Druitt & Duse's draft @ 3 mos. (148)	500	-	-
,, 28.	Pd. Book-keeper and month's wages office cash	28	9	4
Mar. 1.	Recd. of H. Hart, on a/c. of consignment (152)	450	-	-
,, 3.	Recd. of sundry agents, cash as per C/B.....	284	-	-
,, 3	Bot. of Nuelli & Co., 10 pipes port for 4 mos. bill	580	-	-
,, 5.	Sold sundry persons wines, as per day book..	421	5	-
,, 7.	Paid sundry trade creditors, as per C/B	356	10	-
,, 9.	Recd. of Ochoa & Co wines on consignment(154)	746	15	-
	Paid dock charges (154).....	5	9	6
,, 12.	Rose's bill returned dishonoured and noting(143)	50	1	6
	Drew cheque for office cash	20	-	-
,, 15.	Sold Lord Lingrove further wines	81	15	-
	Received his cheque on a/c. for	125	-	-
,, 17.	Received first and final dividend, 17/6 in the £ from Grant & Green (95a).....	63	13	2
,, 18.	Sold out of bond goods consigned by Ochoa(154)	825	-	-
	Charged commission 5 %	41	5	-
	Remitted them 7 days draft in settlement....	778	5	6
,, 20.	Bot. of Druitt & Duse, 40 cases champagne..	120	-	-
,, 22.	Paid bill No. 241 (123)	187	16	-
	Recd. cash, sundry agents	203	5	-
	,, from Richd. Rose, for bill and exs.	50	1	6
,, 24.	Sold Europa Club for cash, wine	39	15	-
	Received cash, sundry trade a/cs	234	7	4
,, 26.	Bought of Nuelli & Co., claret	78	10	-
	Claimed on them for ullage (leakage) of claret claim allowed	5	-	-
,, 26.	Paid them cheque, £69 11 6, dis. £3 18 6 ..	73	10	-
,, 30.	Pd. month's wages and petty exs., office cash	29	6	6
,, 31.	Paid quarter's rent, offices and cellars	25	-	-
	Stock-in-Trade. valued at cost.....	2341	4	6

Answer:—*Profit on Wine*, £100 4 6 ; *on Consignment No.* 1 £62 7 - ; *Net Profit*, £107 8 6 ; *Bal. of Cap. A/c.*, £3107 8 6.

Exercise 52. (*Society of Arts*, 1897.)

A. Explain clearly the difference between Guaranteed, Preference, Ordinary, and Deferred Stocks. How would you keep the Cap. and Revenue A/c. of a Reserve Fund Investment in some of them where occasional changes by purchases and sales take place? How would you value the stocks at the close of each year? **B.** What are Real A/cs.? Have they any other name? How are they closed?

C. The "Clayshire Tyke" is a weekly newspaper. The Proprietor's Balance Sheet, on Dec. 31st, 1896, showed **Trade Debts** owing

by him £238 17 4, Subscription Orders received but not fulfilled £201 5 6. Bills payable Nos. 18 and 19 £120 and £76 14 4 respectively ; Owing to Powder & Co. £138 7 6, and to Snowball & Bell £48 9 -. His **Trading Property** consisted of Freehold Premises, Machinery and Fixed Plant £4726 10 -; Fixtures, Type and Stereos £567 16 5 ; Amounts owing by Sundry Agents £187 10 - ; Debts due from Advertisers £71 9 5 ; Paper Stock £102 15 6 ; Ink, Wrappers and other Stock £25 7 6 ; Cash at Bank £537 1 10 ; in Office £17 2 6 ; Stamps, £6 8 -. You are desired to determine his Cap., open proper A/cs , and record and post thereto the following transactions. After that you will bal. the A/cs., and draw out a T.B., P. & L. A/c., and B/S. for the period of two months ending Feb. 27th, 1897. All cash receipts paid into Bank the same day ; and all payments, unless otherwise stated, made by cheque.

Jan.	2.	Paid for postage stamps	£25	-	-
,,	8.	Recd. cash, sundry agents, as per Cash Book	114	15	8
		Discounts and returns for papers unsold	21	7	5
,,	12.	Received subscriptions in advance as per Subscription Order Book	294	5	6
,,	18.	Bought of Powder & Co., paper for 2 mos. bill	146	19	-
,,	21.	Paid for stamps	55	-	-
,,	25.	Bought of Snowball & Bell, ink	15	12	-
,,	29.	Received cash from agents	34	7	9
		Discount and returns allowed them	10	10	10
,,	31.	Production a/c. paid editors and contributors	49	9	-
		,, ,, paid compositors, machining, and office wages.....	41	-	-
		,, ,, paid sundry exs., office cash	9	11	7
		Stamps used for subscribers' copies per book	73	10	-
		Advertisment orders for month as per Advertising Journal :—Cash recd. with adverts..	113	14	6
		Credit accounts	142	17	-
		Received cash, sales over counter	131	7	4
		Sales to agents for month per Agents' Book..	135	8	6
		Production a/c., News Agency telegrams paid as per Telegram Book	31	17	-
Feb.	1.	Paid bill No. 18 due this day (123)	120	-	-
		Pd. Powder & Co., £133 - 6 : dis. £5 7 -	138	7	6
		Paid sundry trade accounts owing	59	10	-
,,	2.	Received cash, waste paper sold	17	4	4
,,	3.	Recd. payment credit advertisers' a/cs.....	41	15	9
		Purchased for cheq. printing office fixtures ..	12	10	-
,,	4.	Recd. cash, additional subscriptions	116	7	6
,,	5.	Bought of Powder & Co., paper for 3 mos. bill	231	15	-
		Received cash for old type sold	11	4	6
,,	6.	Paid for stamps	32	-	-
,,	9.	Bot. of Snowball & Bell, ink rollers	36	5	8
,,	13.	Received cash from agents	95	10	6
		Discounts and returns allowed them	27	5	7

Feb. 16.	Recd. cash, advertisers' credit a/cs	75	10	-
	Proprietor's Private drawings (71)	200	-	-
,, 20.	Recd. cash, waste paper sold	10	4	6
,, 23.	Bought of Snowball & Bell, ink	20	11	6
	Paid Bill No. 19 (123)	76	14	4
,, 24.	Received cash from agents	24	3	7
	Discounts and returns allowed.....	4	16	6
,, 26.	Paid Snowball & Bell, £116, dis. £4 18 2....	120	18	2
,, 27.	Received cash, sales over counter	128	4	5
	Paid gas consumed in January.....	15	3	8
	Paid for stamps	30	-	-
,, 27.	Advertisement orders per Advertising Journal :—			
	Credit of £83 2 6. cash recd. with adverts.	152	9	9
	Production a/c., paid editor and contributors	50	2	-
	,, ,, paid compositors, machining and office wages.....	47	15	-
	,, ,, paid office cash, petty exs...	6	1	9
	Stamps used for subscribers' copies	69	7	-
	Sales to agents for month	140	10	6
	Production a/c., paid News Agency telegrams	42	-	-
	Depreciation of building, machinery and plant	32	10	-
	,, fixtures, type, and stereos (82)	18	9	6
	Stock of paper on hand	220	10	6
	,, *ink, wrappers, and sundries*	15	3	8
	Liability for Subscriptions unfulfilled	284	17	6
	,, *for serial adverts. not yet appeared*	21	15	9

Dr. **Subscriptions A/c.** (Ex. 52). **Cr**

1897		£	s.	d.	1897		£	s.	d.
Jan. 31	To Postages	73	10	-	Jan. 2	By Balance b/f.....	201	5	6
Feb. 27	,, Postages	69	7	-	,, 12	,, Cash	294	5	6
,, 27	,, *Subscriptions unfulfilled c/d* ..	284	17	6	Feb. 4	,, Cash	116	7	6
,, 27	,, *Transfer to Sales A/c.*	184	4	-					
	£	611	18	6		£	611	18	6
					Mar. 1	By Subs. unfulfilled b/d	284	17	6

Dr. **Sales Ac.** (Ex. 52). **Cr.**

1897		£	s.	d.	1897		£	s.	d.
Feb. 27	*To Transfer to P. & L. A/c.*....	747	3	7	Jan. 31	By Cash Sales	131	7	4
					Feb. 2	,, Waste Paper	17	4	4
					,, 20	,, Waste Paper	10	4	6
					,, 27	,, Cash Sales	128	4	5
					,, 27	,, Agents per S.B....	275	19	-
					,, 27	,, Subscriptions A/c	184	4	-
		747	3	7		£	747	3	7

Dr. Production A/c. (Ex. 52). Cr.

1896		£	s.	d.	1897		£	s.	d.
Jan. 31	To Editor and Contributors' Salaries	49	9	-	Feb. 27	*By Transfer to P. & L. A/c*	277	16	4
,, 31	,, Compositors' and other Wages	41	-	-					
,, 31	,, Office Expenses	9	11	7					
,, 31	,, News Agency Telegrams	31	17	-					
Feb. 27	,, Editor and Contributors' Salaries	50	2	-					
,, 27	,, Compositors' and other Wages	47	15	-					
,, 27	,, Petty Expenses	6	1	9					
,, 27	,, News Agency Telegrams	42	-	-					
		£277	16	4			£277	16	4

Dr. Profit & Loss A/c. (Ex. 52). Cr.

1897		£	s.	d.	1897		£	s.	d.
Feb. 27	To Production A/c.	277	16	4	Feb. 27	By Sales A/c.	747	3	7
,, 27	,, Paper A/c.	260	19	-	,, 27	,, Advertisements A/c.	470	8	-
,, 27	,, Ink, Wrappers, A/c	46	7	4					
,, 27	,, Gas A/c.	15	3	8	,, 27	,, Discount and Returns A/c.	10	5	2
,, 27	,, Discount and Returns A/c.	64	-	4					
,, 27	,, Depreciation A/c.	50	19	6					
,, 27	,, *Net Profit*	512	10	7					
		£1227	16	9			£1227	16	9

BALANCE SHEET on 27th February, 1897.

Liabilities.	£	s.	d.	Assets.	£	s.	d.
Sundry Creditors :—				Cash in hand	£1 9 2		
On Bills Payable	378	14	-	Cash at Bank	761 5 11		
On Open Accounts	179	7	4			762	15	1
Subscriptions	284	17	6	Postage Stamps		5	11	-
Advertisers	21	15	9	Sundry Debtors :—				
Capital	5730	18	1	Agents	£130 11 2			
				Advertisers	180 3 2			
						810	14	4
				Stocks of : -				
				Paper	£220 10 6			
				Ink, Wrappers and Sundries	15 3 8			
						235	14	2
				Fixtures. Type & Stereos	£567 16 5			
				Fixtures purchased	12 10 -			
					580 6 5			
				Less Type sold... £11 4 6				
				Less Depreciation 18 9 6				
					29 14 -			
						550	12	5
				Premises, Machinery & Fixed Plant	£4726 10 -			
				Ink Rollers purchased	36 5 8			
					4762 15 8			
				Less Depreciation	32 10 -			
						4730	5	8
	£6595	12	8		£6595	12	8

PARTNERSHIP.

171. A **Partnership** or private firm is the voluntary *unincorporated* association of two or more persons who contribute money, effects, labour, care, or skill, for the purpose of carrying on, as principals, a common undertaking, for a lawful object, for their common profit. The law of partnership has been declared and amended by **The Partnership Act, 1890,** which defines partnership as "the relation which subsists between persons carrying on business with a view of profit." The partnership **contract** need not be in writing, but may be entered into verbally, or inferred from the conduct of the parties. An agreement in writing for a partnership is designated by the name of **Articles of Partnership,** and, although not absolutely necessary, it is customary and expedient that such an agreement, setting forth all the terms arranged between the partners, should be prepared by a solicitor. The **Articles** should, at least, state (**1**) the nature of the business, (**2**) the firm name or style under which it is to be known, (**3**) the trade mark adopted, if any, (**4**) its duration, (**5**) premiums, if any, (**6**) amount and proportion of capital, (**7**) interest and allowances to partners, (**8**) conduct and power of partners, (**9**) division of profits, (**10**) dissolution or method of winding up, (**11**) goodwill, (**12**) arbitration clause. A partnership is said to be at **at will** when no limit has been fixed to its duration, and it may therefore be dissolved at any time; while a partnership for a **term** is that for which the time of dissolution has been previously fixed by the original agreement.

172. Persons who have entered into partnership with another are called collectively a **firm**, and are **co-partners** to each other. The name under which they carry on business being the **firm name**. Partners may be active, dormant, or nominal. **Active** or **ordinary partners** are those who have joined together their money or labour with a view to the acquisition of gain, and who

are known to the public in such a capacity. A **dormant, sleeping** or **silent partner** is, on the contrary, one who does not appear to the world as a partner, although he participates in the profits and is ordinarily responsible for the engagements of the firm. A **nominal** or **ostensible partner** is one who, without entering into any contract, incurs the liabilities of a partner, as between himself and third persons dealing with the firm, by lending his name and credit to a firm, or in any manner holding himself out as a partner therein, even without disclosing his name, if such holding out has come to the knowledge of such third persons. **Each partner** is deemed the **agent** of the rest, whether they be actual or nominal, acting or dormant, and has authority, as such, to bind them to any person dealing bonâ-fide by such contracts respecting the goods or business of the firm as are within the ordinary scope of the partnership dealing. Every partner is liable, jointly (and severally in Scotland), for the **debts** incurred by or on behalf of the firm in the ordinary course of business; in fact, to this extent, each partner is an agent of and for the others. This liability extends to wrongful acts done in furtherance of the partnership business.

173. DISSOLUTION of partnership may be effected (**1**) by effluxion of time, if entered into for a fixed term, (**2**) by notice, if the partnership is for an undefined time, *i.e.*, a partnership at will, (**3**) by death or bankruptcy of any partner, unless there is an agreement to the contrary between the partners, (**4**) at the option of the other partners by one of the partners suffering his share of the partnership property to be charged for his separate debt, (**5**) by the happening of any event which makes the partnership illegal, (**6**) by judgment of the Chancery Division of the High Court of Justice, which may be obtained on various grounds, such as lunacy of a partner, or permanent incapability of a partner to perform his duties. When a **partner retires,** the other partners may agree to hold him free of all liabilities already incurred, and this, if assented to by the creditors, will give him a

complete release; if the creditors are not partners to this agreement, he is still a debtor. A retiring member is not as such liable for debts contracted subsequently to his retirement, but he may be so if he continues an apparent member of the firm as regards persons who are not aware that he had ceased to be a partner. In order to escape liability for future transactions of the firm, he should give **actual notice** to **customers** who were in the habit of dealing with it, but a **notice** in the **London Gazette** will be sufficient as regards persons who had no dealings with the firm before the date of the dissolution or change, and it is advisable in case of **local firms** to give further **notice** through the **local papers.** A dormant partner is not liable for debts contracted after his retirement, neither is the estate of a partner who dies or becomes bankrupt. The **creditors** of the **partnership** have a right to the payment of their debts out of the **partnership funds,** before the private creditors of any of the partners. On the other hand, the **separate creditors** of each partner are entitled to be first paid out of the **separate effects** of their debtor, before the partnership creditors can claim anything.

174. By **The Partnership Act, 1890,** the interests of partners in the partnership property and their rights and duties in relation to the partnership are determined, *in the absence of, and subject to, any agreement*, express or implied between the partners, by the following **rules:**— (**1**) All the partners are entitled to **share equally** in the **capital** and **profits** of the business, and must contribute equally towards the losses, whether capital or otherwise, sustained by the firm. An agreement for inequalities may be conclusively inferred from the mode in which the partners have dealt with each other, and from the contents of the partnership books. (**2**) The firm must **indemnify** every partner in respect of payments made and personal liabilities incurred by him (*a*) in the ordinary and proper conduct of the business of the firm; or (*b*) in or about anything necessarily done for the preservation of the business or property of the firm. (**3**) A

partner making, for the purpose of the partnership, any actual payment or **advance** beyond the amount of capital which he has agreed to subscribe, is entitled to **interest** at the rate of five per centum per annum from the date of the payment or advance. (**4**) A partner is *not* entitled, before the ascertainment of profits, to **interest** on the capital subscribed by him. (**5**) Every partner may take part in the **management** of the partnership business. (**6**) No partner is entitled to **remuneration** for acting in the partnership business. A partner must *not* make **private gain** out of the partnership, or compete with the firm. **All profits** made by a partner in any business which he carries on in rivalry with the firm to which he belongs must be accounted for. (**7**) No person may be **introduced** as a **partner** without the consent of all existing partners. (**8**) Any **difference** arising as to ordinary matters connected with the partnership business may be **decided** by a **majority** of the partners, but no change may be made in the nature of the partnership business without the consent of all existing partners. (**9**) The partnership **books** must be kept at the place of business of the partnership, and every partner may, when he thinks fit, have access to and inspect and copy any of them. No partner is entitled to deprive his co-partner of his right to inspect the accounts by keeping them in a private book of his own.

175. **Subject** to any *agreement* between the partners, the **amount** due from **surviving** or continuing **partners** to an outgoing partner, or the representative of a deceased partner, in respect of the outgoing or deceased partner's share, is a debt accruing at the date of the dissolution or death. In **settling accounts** between partners after a dissolution of partnership, *The Partnership Act*, 1890, enacts that the following **rules** shall, subject to any agreement, be observed:—(*a*) **Losses,** including losses and deficiencies of capital, are to be paid *first* out of profits, *next* out of capital, and *lastly*, if necessary, by the partners individually in the proportion in which they were entitled to share profits; (*b*) The **assets** of the

firm, including the sums, if any, contributed by the partners to make up losses or deficiencies of capital, are to be applied in the following manner and order:—(1) In paying the debts and liabilities of the firm to persons who are not partners therein; (2) In paying to each partner rateably what is due from the firm to him for advances as distinguished from capital; (3) In paying to each partner rateably what is due from the firm to him in respect of capital; (4) The ultimate residue, if any, shall be divided among the partners in the proportion in which profits are divisible.

176. The Limited Partnerships Act, 1907, which came into operation on the 1st January, 1908, allows a new kind of partnership to be constituted, consisting of one or more **general partners,** who are liable for all the debts of the partnership, and one or more **limited partners,** who are liable for such debts to a stated amount only. This Act constitutes, for the first time, a trading firm with *limited liability* of one or more of the partners. The **limited partner** can invest a **fixed sum** and can, from time to time, increase such amount if he so desires. He has no power or authority to bind the firm in any way, but he has full rights of investigation, examination and advice. He may, by himself, or his agents, at any time, inspect the books and examine into the state and prospects of the business, and may advise with the partners. But should a limited partner take any part in the management of the business he will be liable for all the debts incurred while he continues in the management, as if he were a general partner. Under this statute a young man starting in business can, with reasonable safety, be financed by any friends or relations who may be willing to risk a limited amount of capital as partners of a limited firm. Businesses already established, and finding their progress hampered by insufficient capital, can avail themselves of this simple method of introducing fresh capital, without the expense, trouble and formalities of turning themselves into limited companies.

177. A limited partnership cannot consist, in the case of a partnership carrying on the business of banking, of more than ten partners, and in the case of any other partnership, of more than twenty partners, and must consist of one or more partners, called **general partners,** who are **liable** for **all debts** and obligations of the firm, and one or more persons to be called **limited partners,** who must at the time of entering into such partnership, contribute thereto a sum or sums as capital or property valued at a stated amount, and who will *not* be liable for the debts or obligations of the firm, beyond the amount so contributed. A limited partner cannot, during the continuation of the partnership, either directly or indirectly, withdraw any part of his capital, and if he does withdraw any part thereof, he is liable for the debts and obligations of the firm up to the amount so withdrawn.

178. A **limited partnership** must be **registered** in accordance with the provisions of the Act, or in default thereof it will be deemed an ordinary partnership, and every limited partner will be deemed to be a general partner. To obtain such a **registration** the following particulars signed by all the partners, must be sent to the Registrar of Joint Stock Companies in London; if in Scotland to the Registrar in Edinburgh, and if in Ireland to Dublin—(*a*) the firm name; (*b*) the general nature of the business; (*c*) the principal place of business; (*d*) the full name of each of the partners; (*e*) the term, if any, for which the partnership is entered into, and the date of its commencement; (*f*) a statement that the partnership is limited, and the description of every limited partner as such; (*g*) the sum contributed by each limited partner, and whether paid in cash or how otherwise. If during the continuance of the limited partnership any **change** is made or occurs in the matters just specified, a statement signed by the firm, specifying the nature of the change, must, within seven days, be delivered to the Registrar, in default of which each of the general partners shall be liable for a fine not exceeding £1 per

day during which the default continues. The **Statement** of the amount contributed by a limited partner, and the statement of any increase in that amount sent to the registrar for registration under the Act, is chargeable with ad valorem stamp duty at the rate of 5/- per cent. **Any person** may **inspect** the Statements filed with the registrar on the payment of a fee of 1/-; and may **demand a copy** thereof on payment of the necessary fee.

179. The Act provides that, subject to any agreement, express or implied :—(*a*) Any **difference** connected with the partnership business as to ordinary matters may be decided by a majority of the general partners, (*b*) a limited partner may, with the consent of the general partners, **assign** his shares, (*c*) the general partners shall not be entitled to **dissolve** if a limited partner charges his share for his separate debt, (*d*) a **new partner** may be introduced without the consent of the limited partners, (*e*) a limited partner is not entitled to dissolve the partnership by notice. A limited partnership cannot be **dissolved** by the death or bankruptcy of a limited partner, and the lunacy of a limited partner is no ground for the dissolution of the partnership by the Court, unless the lunatic's share cannot otherwise be ascertained and realised. **Notice** of any arrangement or transaction under which any person **ceases** to be a **general partner** and becomes a limited partner, or under which the share of a limited partner is **assigned** to any person, must be forthwith **advertised** in either the London, Edinburgh, or Dublin Gazette, according to the situation of the registered office of the firm, and until notice of the arrangement or transaction is so advertised it is deemed to be of no effect.

180. The **ACCOUNTS** of a **sole trader,** who carries on business at his own risk and for his own exclusive account, only concern himself, and the persons with whom he deals, but the existence of a partnership necessitates additional accounts to record the (*a*) apportionment of capital, (*b*) remuneration of partners, (*c*) drawings of partners, and (*d*) division of profits. **Exercise 25,**

explained on pages 70 to 74, in which the capital, interest, drawings and profits are equal, affords an illustration of the simplest transactions in partnership a/cs. The **object** of keeping **partnership accounts** is to show (**1**) how the firm stands as regards strangers; (**2**) how it stands towards its own members. The **Articles,** therefore, should provide not only for keeping proper books of account and for entry therein of all receipts and payments, but also for the preparation annually, at least, of a Profit and Loss Account and Balance Sheet. The Articles should also always contain a clause that the **accounts** when **signed** shall be treated as **conclusive,** and shall not be opened except for some manifest error discovered within a given time. It is usual to treat all the accounts of a partnership as accounts of the firm, and to deal with the accounts of each partner as if he were simply a debtor and creditor of the firm. Each partner's share of profit or loss is determined either by a verbal agreement, or the Articles, and in the absence of both, then the Partnership Act provides that it shall be divided **equally.** A **rest** in partnership accounts means that some particular account is to be closed at the date of the rest for the purpose of adjustment. Where such an account is one bearing **interest,** it implies that compound interest is to be calculated from the date of such rest to the next rest. Thus Brown, a partner in a firm, lends money to the firm at the rate of 5 per cent, with half-yearly rests upon that account. This statement implies compound interest every half-year. **Salaries** of **partners** must always be charged to the Profit and Loss Accounts, while **Drawings** must be debited to their respective drawings or current accounts. If the drawings of the partners are *unequal*, either in amount or period, **interest** should be charged thereon. This is best done by the use of two money columns on the Dr. side of the Current A/c., one for recording the amount withdrawn, and the other for entering, on the same line, the interest payable in respect of each sum, calculated forward to the time of balancing the books. The **total** of the **interest column** would be passed through the

Journal on balancing, thus: *George Green's Current A/c. Dr. To Interest A/c.* £3; and posted underneath the last withdrawal as follows:—

Dr. **George Green's Current A/c.** **Cr.**

1909		Interest.	£	s.	d.	1909		£	s.	d.
			£	s.						
Mar. 30	To Cash	9 mos.	1	10	40	-	-	Dec. 31	By Interest on			
June 30	,, Cash	6 mos.	1	-	40	-	-		,, Capital...	100	4	-
Sept. 30	,, Cash	3 mos.		10	40	-	-	,, 31	,, Profit	554	4	7
Dec. 31	,, Cash	.....			40	-	-					
,, 31	,, Interest	.....			3	-	-					
,, 31	,, *Transfer to Capital A/c.*	.....			491	8	7					
			£	3	-	654	8	7		£	654	8	7

When an Exercise states definitely the amount of the withdrawal and the *interest accrued thereon up to the time of such withdrawal*, no calculation is, of course, required. But care must be taken when calculating the interest on the Capital to reckon it on the *net* capital only, after deduction of the withdrawal, and then *add the interest accrued on the withdrawal* to the interest on the net capital. For instance: *Capital* £9652, *withdrawn during the year* £520, *interest accrued thereon* £24, would be debited in the P. & L. A/c., thus:—

To Interest on Capital:—
For one year on £9132 @ 5% ..... £456 12 -
To date of withdrawal on £520 @ 5% 24 - -
£480 12 -

181. It is principally in the **opening** and **closing** of the **account books** that partnership transactions are involved; as in (*a*) the establishment or purchase of a partnership business, (*b*) the introduction of a new partner, (*c*) the dissolution of a partnership by death, retirement, expiration of period, an agreement to wind up, or insolvency. When the **only asset** of the partners at the commencement is **Cash,** the respective amounts are recorded on the Dr. side of the Cash Book and posted to the credit of the Capital a/cs. Should any or all of the partners provide Capital *in kind*, as Stock, Premises, Machinery, Patents, Copyright, &c., the values thereof

must be *debited*, (through the medium of the Journal) to their respective accounts, and the total value of each contribution *credited* to the Capital a/c. of the partner contributing the same.

182. Where an **existing business** is to be **purchased** care must be taken by the purchasers that none of the assets are over-valued, and that an ample reserve is provided on the book debts. The price paid for the **Goodwill** must be added to the value of the assets, from the total of which will be deducted the amount (if any) due to Sundry Creditors, the *difference* showing the Cash payable to the Vendors. The purchasing firm must not make the mistake of spending *all* its capital on the purchase of the business, but must provide sufficient cash for **working capital.** It is advisable to record the purchase of a business in a specific account, similar to the following, which is supplemented by the first Balance Sheet of the new firm :—

Dr. **Purchase of Business A/c.** **Cr.**

1909		£	1909		£
Jan. 1	To Sundry Creditors	5000	Jan. 1	By Sundry Debtors	8600
	,, Cash paid to Vendors	18000		,, Stock	5300
				,, Machinery	2600
				,, Premises	4500
				,, Goodwill	2000
		£ 23000			£ 23000

Balance Sheet of Booth & Co., on 1st January, 1909.

Liabilities.		£	**Assets.**	£
Sundry Creditors		5000	Cash	2000
Capital:—			Stock	8600
Egbert Booth	10000		Sundry Debtors	5300
Alfred Griffin	5000		Machinery	2600
William Lord	5000		Premises	4500
		20000	Goodwill	2000
		£ 25000		£ 25000

183. The **admission** of a **new partner** generally necessitates either an addition to the Capital of the business, or the payment of a certain sum to the existing partners in respect of **Goodwill,** or as a **Premium.**

The mere introduction of Capital in the form of cash, would only require debiting in the Cash Book and posting to the credit of the Capital A/c. of the new partner. A payment to the existing partners in respect of **Goodwill** could be made *outside* the business, or the sum could be paid into the business, and *credited* to the *Capital A/cs.* of the *original partners.* By this treatment the original partners get the *full benefit* of the payment made in respect of Goodwill. For instance, if George Glover were admitted to the firm of Booth & Co., on payment of £5000 Capital, and £1000 for Goodwill, the above Balance Sheet would require the Cash increasing to £8000, the Capitals of Booth, Griffin & Lord increasing respectively to £10500, £5250, £5250, and George Glover adding, with £5000. The payment of a **Premium** by a new partner is usually made by the cash being handed over privately to the existing partners, *outside the business*, **no record** of the payment being made in the partnership books. Where one partner pays a premium to another on entering into a partnership for a fixed term, and the partnership is dissolved *before* the expiration of that term, otherwise than by the death of the partner, the Court may order the **repayment** of the premium or of such part thereof as it thinks just, having regard to the terms of the partnership contract, and to the length of time during which the partnership is continued; unless (*a*) the dissolution is, in the judgment of the Court, wholly or chiefly due to the misconduct of the partner who paid the premium; or (**b**) the partnership has been dissolved by an agreement containing no provision for a return of any part of the premium.

184. On the **dissolution** or **re-arrangement** of a partnership it is often necessary either to revalue or realise the assets and adjust the partnership accounts. All the **assets** should be carefully valued and any **Depreciation** or **Appreciation** of the book values adjusted through journal entries. **Expenses** paid in advance and those due, but not paid, at the time of preparing the accounts, should be apportioned. The

most difficult asset to value, however, is generally **Goodwill.** In the event of a dissolution each partner (and the representative of a deceased partner) is entitled, in the *absence* of any agreement to the contrary, to have the Goodwill of the business sold for the common benefit of all the partners. In other words, the **Goodwill** and therefore the **firm-name,** is part of the partnership assets. In **practice** it is usual, in order to prevent such a sale from being inconvenient to the firm, to insert in the *Articles of Partnership*, a **stipulation** that, on the retirement or death of a partner, his share in the goodwill shall be **bought** by the remaining partners on some basis agreed upon. For instance, it may be stipulated that the goodwill shall be valued at *three years purchase*, *i.e.* on the basis of the aggregate of the net profits for the three years immediately preceding the dissolution. The meaning of *net profits* should be very clearly defined in the Articles, otherwise this expression may lead to serious disagreement and even litigation. In addition to the usual debits in a P. & L. A/c., partners' salaries and interest on capital should undoubtedly be charged, before arriving at the net profit. Goodwill indicates something transferable, and does not include the free services of the vendors. The **purchaser** of Goodwill *alone* is entitled to the use of the firm-name and to represent himself as continuing or succeeding to the business of the vendor. But the vendor's wife, having separate estate, cannot be restrained from carrying on a competing business on her own account and in her *own* name. The vendor may also carry on a similar business and publicly advertise the same in competition with the purchaser, but *not* under the name of the former firm, whose customers he may *not* solicit.

185. The **accounting** necessary on **realisation** of a partnership estate involves the three following processes: (**1**) Take stock, adjust the books, prepare the P. & L. a/c. and Balance Sheet; in other words, **balance** the **books** as for the *ordinary periodical balancing*, totally regardless of the subsequent slaughter. The B/S. thus

produced is the *basis* of the realisation. (**2**) Open a Realisation of Assets A/c. (**3**) The necessary adjustments having been made through the Capital A/cs., the balances will indicate the amounts due to or by each partner.

186. A **REALISATION** or **LIQUIDATION A/c.** is practically a **P. & L. A/c.** which is opened for the purpose of recording the transactions on the occasion of (1) transferring a business as a going concern (2) the admission of a new partner (3) the dissolution or rearrangement of a partnership, consequent upon the death or retirement of one of the partners, &c.; or (4) the winding up or discontinuance of a business. **Debit** the a/c. with the (*a*) *total value* of the **Assets** as shown in the B/S. or Statement of Affairs as at the date of the commencement of the transfer or liquidation (*b*) Liabilities *not* entered in the books or B/S. but which have to be paid, such as outstanding a/cs. for taxes, repairs, interest on loans or capital, bank charges, &c. (*c*) Expenses on realisation; and **credit** the a/c. with the actual Cash proceeds of the assets realised. The **difference,** like that of the ordinary P. & L. A/c., if a debit balance, shows a loss; if a credit balance, a profit; which should be transferred to the Capital A/cs. of the respective partners in the proportions in which they are interested in the profits and losses of the firm, or to the P. & L. A/c. in the case of a company. Where the company being liquidated is to be taken over by a new company, a *debit* balance shows the *cost* of the concern to the new company, and if a *credit* one, the amount of *profit* made out of the liquidation by the new company. It should be noted that the amount due to "Sundry Creditors £7000," appearing in the B/S. below, must *not* be entered in the Realisation A/c., which is only concerned with showing (*a*) on the **credit** side, the actual receipts of cash on the assets realised (*b*) on the **debit** side the book value of the assets; the amounts due to creditors *not* entered in the books and therefore not included in the B/S.; and the expenses of the collection or sale of

the assets. Any balance of Cash after payment of all the Creditors and the Expenses belongs, of course, to the partners; and if the profit or loss on realisation has been correctly carried to Capital A/cs., their *total balances will equal the cash in hand.* When a business is being **discontinued** and the assets realised, the following method might be adopted. Record the amounts received from the debtors, as well as those received in respect of the sale of the various assets, in their respective a/cs., deferring the preparation of the Realisation A/c. until the final balancing, carrying only the *differences* of the real and personal a/cs. to the Realisation A/c.

Example 1. The following B/S. was extracted from the books of the firm, who omitted to include Sundry Outstanding Liabilities for Repairs, Rates and Taxes, &c., amounting to £178. The realisation was completed on 30th Sep., the expenses being £737. The losses are borne in the same proportions in which the partners share the profits, in this instance according to the capital.

BALANCE SHEET, on 30th June, 1909.

Liabilities.		**Assets.**	
Sundry Creditors:		Cash at Bank	£660
On Mortgage	£4000	Sundry Debtors	3800
On Open A/cs.	3000	Stock-in-Trade	5560
	£7000	Plant & Machinery	2980
CAPITAL A/cs.:		Freehold Premises	8000
Benjamin Brown	£7000		
John Jones	3500		
Robert Robinson	3500		
	14000		
	£21000		£21000

Dr. REALISATION of ASSETS A/c. Cr.

1909.			1909.		
June 30.	To Book value of Assets as per B/S.	£21000	Sept. 30th. By Cash at Bank plus Int.		£685
Sept. 30.	„ Sundry Outstanding Creditors	178	„ „ Sundry Debtors		3460
	„ Expenses of Realisation	737	„ „ Stock-in-Trade		3405
			„ „ Plant & Machinery		2465
			„ „ Freehold Premises		8800
			„ **Loss** *on Realisation transferred to Capital A/cs. of:*		
			Benjamin Brown	£1550	
			John Jones	775	
			Robert Robinson	775	
					3100
		£21915			£21915

Dr. **Benjamin Brown.** **Cr.**

1909		£	1909		£
Sep. 30	To Loss on Realisation	1550	June 30	By Balance	7000
	„ Cash Repayment ...	5450			
		£ 7000			£ 7000

Dr. **John Jones.** **Cr.**

1909		£	1909		£
Sep. 30	To Loan on Realisation	775	June 30	By Balance	3500
	„ Cash Repayment ...	2725			
		£ 3500			£ 3500

Dr. **Robert Robinson.** **Cr.**

1909		£	1909		£
Sep. 30	To Loan on Realisation	775	June 30	By Balance	3500
	„ Cash Repayment ...	2725			
		£ 3500			£ 3500

Dr. **Cash Account.** **Cr.**

1909		£	1909		£
Sep. 30	To Realisation of Assets	18815	Sep. 30	By Creditors.....	7178
				„ Expenses.....	737
				„ Repayments to :—	
				Benjamin Brown	5450
				John Jones	2725
				Robert Robinson	2725
		£ 18815			£ 18815

187. It must be particularly noted on the occasion of a **dissolution,** where there is a **deficiency of capital,** after all the creditors are discharged, that, in the absence of any agreement to the contrary, the **Assets,** *including* the sums contributed by the partners to make up the losses or deficiencies of capital, must be applied in paying each partner rateably what is due from the firm to him in respect of capital. Consequently when one of three partners is unable to contribute his share of the deficiency of the assets to make good his capital, such deficiency is *not* borne by the solvent partners in the *same proportions* as a *loss*, but in the **proportion that the total assets** (cash produced by realisation, and the loss thereon chargeable against the solvent partners) **bear to the total capital.** Mere losses by the firm, in the absence

of any agreement, are always borne equally, but this rule does *not* apply to losses occasioned by the deficiency of a partner's capital. In other words, the issue to be decided in the winding up of a *solvent* firm, is the proportion in which **Assets** are to be applied to the repayment of Capital when they are *not* sufficient to return it in full. It is not, therefore, the division of a Loss, but the division of the Assets. In the case of an *insolvent* firm, however, where all the Assets are exhausted, the private fortunes of the partners may be charged proportionately to the sharing of the profits, but one partner, being unable to bear his share of loss, his co-partners again divide this as they would divide profits.

Example 2. **Balance Sheet, No. 1.**

Liabilities.	£	**Assets.**	£
Capital of Brown	650	Sundry Property	630
,, Jones	150	Deficiency of Sykes	170
£	800	£	800

The Assets are realised with the following results :—

Dr. **Realisation of Assets A/c.** **Cr.**

	£		£
To Book value of Assets	630	By Cash	480
		,, Loss on Realisation :—	
		Brown £50	
		Jones 50	
		Sykes 50	
		—	150
£	630	£	630

Balance Sheet, No. 2.

Liabilities.	£	**Assets.**	£	£
Capital of Brown	650	Cash		480
,, Jones	150	Loss on Realisation, divisible as Profits :—		
		Brown, one-third £50		
		Jones, one-third 50		100
				580
		Capital Irrecoverable from Sykes £170		
		Add one-third Loss 56		220
£	800	£		800

188. If Sykes could contribute his £220 he must do so, but being insolvent and therefore unable, the accounts must be **closed** as follows:—The **contribution** of £50 each by Brown and Jones must be brought in, and the **available assets** will then total to £580, as shown above. This amount will be apportioned between Brown and Jones as the respective capitals of each over the total capital are to the available funds; but from the resulting figures—£471 5 - and £108 15 - must be *deducted*, in each case, the *contribution* of £50, made by the solvent partners, towards the loss on realisation.

$\frac{581}{800}$ of £650 is	£471 5 -		
Less Brown's contribution....	50 - -	£421 5 -	
$\frac{580}{800}$ of £150 is.....	108 15 -		
Less Jones' contribution.....	50 - -	58 15 -	
Equivalent to Cash available		£480 - -	

Example 3. On the 1st January, 1909, the Capital of Messrs. Black & Co. was as follows:—Benjamin Black, £600; William White, £1373; George Green, £2094; Robert Red, £458. The Profit of the firm during the year amounted to £2871 10 10. On the 31st March, 30th June, 30th September, 31st December, Black and White withdrew £30 each; Green and Red £40 each, these Drawings being subject to Interest at the rate of 5% per annum. Credit Interest on Capital at 5%, and divide the Profits as follows:—Benjamin Black $\frac{1}{3}$rd, William White $\frac{7}{24}$ths, George Green $\frac{5}{24}$ths, Robert Red $\frac{1}{6}$th. Prepare Profit & Loss A/c. and Balance Sheet as on 31st December, when the Sundry Liabilities amounted to £1202 0 2, and Sundry Assets to £7948 11 0.

Dr. **Profit & Loss A/c.** for the year ended 31st Dec. 1909. **Cr.**

		£	s.	d.		£	s.	d.
To **Interest** on Capital, viz.:—					By Profit	2871	10	10
Benjamin Black	£30 - -				„ Interest on			
William White	68 13 -				Drawings...	10	10	-
George Green	100 4 -							
Robert Red	22 18 -	221	15	-				
„ **Net Profit:**—								
Benjamin Black 1/3rd ...	£886 15 3							
William White 7/24ths...	775 18 4							
George Green 5/24ths ...	554 4 7							
Robert Red 1/6th	443 7 8	2660	5	10				
		£ 2882	-	10		£ 2882	-	10

Balance Sheet of **Black & Co.**, on 31st December, 1909.

Sundry Liabilities.				£	s.	d.	**Sundry Assets**	£	s.	d.
Capital, viz.:—				1202	-	2		7948	11	-
Mr. Benj. Black, 1st Jan. 1909	£600 - -									
Add Interest on Capital.....	30 - -									
Add Share of Profits	886 15 3									
	1516 15 3									
Less Drawings...£120 - -										
Less Interest..... 2 5 -	122 5 -	1394 10 3								
Mr. Wm. White, 1st Jan., 1909	1373 - -									
Add Interest on Capital.....	68 13 -									
Add Share of Profits	775 18 4									
	2217 11 4									
Less Drawings...£120 - -										
Less Interest..... 2 5 -	122 5 -	2095 6 4								
Mr. Geo. Green, 1st Jan., 1909	2004 - -									
Add Interest on Capital.....	100 4 -									
Add Share of Profits	554 4 7									
	2658 8 7									
Less Drawings...£160 - -										
Less Interest..... 3 - -	163 - -	2495 8 7								
Mr. Robert Red, 1st Jan., 1909	458 - -									
Add Interest on Capital.....	22 18 -									
Add Share of Profits	443 7 8									
	924 5 8									
Less Drawings...£160 - -										
Less Interest..... 3 - -	163 - -	761 5 8		6746	10	10				
			£	7948	11	-		£7948	11	-

Partnership Exercise 1.

Arthur Allan, James Binns, and Cecil Clarke, traded in partnership, sharing Profits and Losses in the proportions of $\frac{1}{2}$, $\frac{1}{3}$, and $\frac{1}{6}$ respectively. They determined to give up business on 31st December 1910, their Balance Sheet showing as follows :—

Sundry Creditors - - -		£650	Sundry Debtors - - - -		£1200
Capital, viz.:—			Stock - - - - - -		2100
Arthur Allan - -	£2220		Cash - - - - - - -		90
James Binns - -	830	3050	Capital Deficiency of Cecil Clarke		310

They accepted an offer from Dixon & Co., of £1000 for the Book Debts, and £1700 for the Stock. Prepare Realisation A/c. and adjust the Capital A/cs, of the three partners.

Answer.—*Loss on Realisation*, £600 ; *Cap. A.A.*, £1920 ; *J.B.* £630; *C.C. Dr. Bal.* £410.

Partnership Exercise 2.

Edwin Elliott and Fred Field enter into partnership, upon equal terms, for the purpose of purchasing and continuing the old-established business of the late George Glover. The business was

taken over from Glover's executors as on 1st January, 1910, as a going concern, upon the basis of the last certified Balance Sheet, which was as follows :—

Sundry Creditors	£3482	Freehold Premises	£14200
Reserve For Bad Debts	385	Plant A/c.	8100
Capital	26593	Sundry Debtors	3420
		Stock on hand	4140
		Office Furniture	600

The purchase price was agreed at £28000, which amount was found, in equal shares, by Elliott and Field, and duly paid over to Glover's executors. In addition, each partner paid £1000 into the new firm's banking account to provide Working Capital, and it was agreed, before opening the new books, to reduce the valuation of the Plant (as shown above) by £500, the Stock by £450, and the Office Furniture by £200. Make the opening entries necessary to record the above transactions in the books of the new firm, and draw up a Balance Sheet showing the position of Messrs. Elliott & Field, at the commencement of the new partnership.

Answer.—*Total of B/S.*, £33482.

Partnership Exercise 3.

Sundry Creditors			£270	Cash	£112
Capital, viz.:—				Sundry Debtors	2064
Henry Hill		£4396		Stock in trade	8084
Seth Sykes		4040	8436	Machinery & Plant	3446

Henry Hill and Seth Sykes were in partnership, the former taking one-third of the profits and the latter two-thirds. On the death of Sykes the B/S. was as given above. The Articles of Partnership stipulated that the amount due to either partner upon his death was to remain in the business, subject to interest at 5%, but to be repayable to the representatives of the deceased by four equal amounts of £1000 per annum and a fifth instalment disposing of the balance of Capital at the end of the fifth year. The Goodwill was to be valued at £2400, and Sykes' share of this was to be paid out of the future profits of the business at the rate of one quarter of the net profits per annum, with interest added to the unpaid portion from year to year at the rate of 4%. The profits of the business after the death of Sykes were, during the first year £1440; second year £2080; third year £2860; fourth year £3156, from which profits the interest mentioned above must be deducted before arriving at the amount payable annually for Goodwill. Prepare Capital A/c. and Goodwill A/c. of Sykes' representatives, showing interest and annual payments; also P. & L. A/c. of the firm necessary to record these transactions.

Answer.—*Int. on Cap., 1st year*, £202; *2nd*, £162 2 0; *3rd*, £120 4 0; *4th*, £76 4 4; *5th*, £30 0 6; *1st payment of Goodwill*, £293 10 0; *2nd*, £465 15 5; *3rd*, £675 7 1; *4th*, £335 9 7.

Partnership Exercise 4.

Sundry Creditors	£1531 5 -	Cash	£20 14 6
Capital, Charles Carr	77 - -	Sundry Debtors	214 8 4
		Stock on hand	685 10 8
		Fixtures & Fittings	152 - -
		Machinery & Plant	400 - -
		Capital deficiency of Walter Wake	135 11 6

Charles Carr and Walter Wake are in equal partnership, their Balance Sheet on 31st December, 1909, being given above. The Estate is realised with the following result:—Sundry Debtors, £165; Stock, £500; Fixtures & Fittings, £50; Machinery, £200. The private estates of both partners are not sufficient to pay their private debts. The cost of collecting and distributing the Estate is £60. Prepare Realisation, Cash, Profit & Loss and Creditors' Accounts, showing what composition is paid to the Creditors.

Answer.—*Loss on Realisation*, £596 19 -

Partnership Exercise 5.

Henry Horn, Isaac Innis, and John Jenks are in partnership, their respective capitals being £1500, £1200, and £800. The partnership articles provide for interest on capital at 5% per annum, and profits and losses to be divided in the proportions of Henry Horn $\frac{1}{2}$, Isaac Innis $\frac{1}{3}$, John Jenks $\frac{1}{6}$. Henry Horn has lent to the firm £1000 at 6% interest, and Isaac Innis £500 at the same rate. Interest on Capital and Loans is paid up to date. It is decided to dissolve partnership on 30th June, 1910, on which date the Assets and Liabilities (in addition to those to partners) of the firm were:

Sundry Creditors	£3000	Machinery & Plant	£2000
Bank Overdraft	2000	Loose Tools, Patterns, &c.	1000
		Stock in Trade	2500
		Sundry Debtors	4500

The business was sold as a going concern, subject to the following allowances off the book values:—Machinery and Plant 10%; Loose Tools & Patterns and Stock, 20%; Book Debts, 15%; but also subject to the payment of £600 for Goodwill. Prepare a Realisation A/c., and show what was the result to each partner.

Answer.—*Loss on Realisation*, £975.

Partnership Exercise 6.

Karl King, Lord Lane, and Maurice Munro were partners, and at the end of the term the following was the Balance Sheet:—

Sundry Creditors	£17000	Cash	£125
Partners' Capital:—		Sundry Debtors	13500
Karl King	£9500	Stock	9400
Lord Lane	6225	Machinery & Plant	7000
Maurice Munro	1700 17425	Investments	4400

The business was liquidated; the Book Debts realised £12780; the Stock £8100, the Machinery & Plant £4000, and the Investments £5200. The partnership agreement provided that profits and losses, whether on trading or realisation, should be divided in the proportion of Karl King 4, Lord Lane 3, Maurice Munro 2. The costs and expenses of liquidation amounted to £850. Make up statement showing the final accounts of the partners.

Answer.—*Loss on Realisation*, £5070; *Cap. K.K.* £7246 13 4; *L.L.* £4535; *M.M.* £573 6 8.

Partnership Exercise 7.

The surplus on 31st December, 1909, of assets over liabilities of a business in which Nero Nunns, Oliver Ogden, and Peter Price are partners was £22,460, and the shares therein of the partners were:—Nero Nunns, £9430; Oliver Ogden, £7560; Peter Price, £5470. The accounts are kept by single entry, and on 31st December, 1910, the surplus of assets over liabilities, after deducting partners' drawings, was £22,270. The amounts drawn by the partners during the year were:—Nero Nunns, £1840; Oliver Ogden, £920; Peter Price, £750. Profits and losses are divisible as follows:—Nero Nunns, $\frac{4}{10}$; Oliver Ogden, $\frac{3}{10}$; Peter Price, $\frac{3}{10}$. Make up account showing the share of each partner in the surplus on 31st December, 1910, leaving interest out of account.

Answer.—*Share of Surplus, N.N.* £1328; *O.O.* £996; *P.P.* £996; *Cap. N.N.* £8918; *O.O.* £7636; *P.P.* £5716.

Partnership Exercise 8.

Carl Quinn and Robert Ripley commence trading in partnership on 1st January, 1910. The Trial Balance on 30th June, 1910.

Dr. Balances—		**Dr. Balances** continued—	
Debtors	£8860	Robert Ripley's Drawings	£300
Cash	10	General Expenses	1272
Purchases	22984	Discounts Balance	201
Wages and Salaries	2326	**Cr. Balances**—	
Rent and Taxes	395	Capital	10000
Furniture & Fixtures, cost	940	Sales	22458
Carl Quinn's Drawings	450	Creditors, net	5280

The Stock on 30th June, 1910, was £6192. Carl Quinn contributed £6000 of the capital and Robert Ripley £4000. Interest is to be allowed at the rate of 5% per annum on the capital, and profits and losses are divisible, $\frac{7}{12}$ths to Carl Quinn and $\frac{5}{12}$ths to Robert Ripley. Prepare as on 30th June, 1910, Profit & Loss A/c., Balance Sheet and Capital A/cs., charging no interest on drawings, providing depreciation on furniture and fittings at the rate of 10% per annum, and reserving 5% for doubtful debts.

Answer.—*Net Profit* £732; *Cap. C.Q.* £6127; *R.R.* £4105; *Total of B/S.* £15,512.

Partnership Exercise 9.

The Balance Sheet of Benjamin Black, William White, George Green and Robert Red, trading as Black & Co., stood as follows on 1st January, 1909 :—

Sundry Creditors	£429	Cash	£1872
Capital, viz. :—		Bills Receivable	72
Benjamin Black	600	Sundry Debtors	1744
William White	1373	Stock	730
George Green	2004	Stock on Consignment	150
Robert Red	458	Furniture	296

During the year the Stock on Consignment was sold for £295, from which was deducted, before the draft was received, Commission at the rate of 8%. A second Consignment (unsold at the time of balancing) had been sent at a cost price of £200, the expenses paid thereon being £8. The Purchases for the year were £5974. Sales, exclusive of Consignment, were £10032. Stock, 31st December, £596. The Sundry Debtors discharged their a/cs., less £30 for Discount. The Bills of Exchange were met, without allowance for discount. All the Sundry Creditors were paid, the allowance for Discount being £20. Of the new Creditors the amount due at the end of the year was £1099, but included in the amount discharged was £79 for Discount. The firm's acceptances for £246 had fallen due and were paid, except one for £46 carried forward. New Debtors had paid £7751, and £400 had been allowed to them for Discount, the Bad Debts amounting to £40. Other Debtors had given, and met in full, acceptances amounting to £300. The General Expenses paid were £854, there being £68 due and unpaid. The Furniture A/c. is to be depreciated at the rate of 5% per annum. Reserve 5% for Discount on Debtors' Balances and 1% on Creditors' Balances. On the 31st March, 30th June, 30th September, 31st December, Black and White withdrew £30; Green and Red, £40, these Drawings being subject to interest at 5% per annum. Credit Interest on Capital at 5% and divide the Profits as follows:—Benjamin Black $\frac{1}{3}$rd, William White $\frac{7}{24}$ths, George Green $\frac{6}{24}$ths, Robert Red $\frac{1}{8}$th. Prepare Trading, P. & L., Cap. A/cs., and B/S.

Answer.—*Net Profit* £2660 5 10; *Cap. B.B.* £1394 10 3; *W.W.* £2095 6 4; *G.G.* £2495 8 7; *R.R.* £761 5 8.

Partnership Exercise 10.

On 1st January, 1910, Saville Smith, Titus Tate, Uriah Uttley, and Victor Venn (equal partners) had capitals respectively £8100, £7680, £6345, and £5985, bearing interest at 5%. Uriah Uttley died on 27th November, 1910, and by the deed he was entitled to share the year's net profits proportionately to the date of death. At the end of 1910 the creditors stood at £345, the debtors at £1479, stock £9007, freehold £15000, cash £2034, plant, &c., £4000, vans, &c., £411. The profit for 1910 was £3476, before charging interest on capitals, and before reducing the plant and vans by 10% each and writing 4% off the debtors. Also it is necessary to credit Uriah Uttley with interest at 5% on his profits (but not on his one-

fourth share of goodwill, from date of death to end of year as well as upon his capital for the whole year. At the end of that year a goodwill was to be raised equal to a sum of one and five-eighths of that year's net profits (*i.e.*, before charging Uriah Uttley's profits or interest on same).

Answer.—*Net Profit* £1570 4 10; *Uttley's share of Profit* £364 9 7; *Interest thereon* £1 14 0; *Goodwill* £2551 12 8; *Cap. U U.'s Exors.* £7666 6 9; *S.S.* £9544 5 3; *T.T.* £9103 5 3; *V.V.* £7323 10 3.

Partnership Exercise 11.

Albert Ambler, Baron Butler, Cedric Carter, Dan Day had, on 30th June, 1910, the following respective capitals to their credit, and the following respective shares of profits and losses:—£2613, £954, £1172, £3721, and $\frac{7}{25}$ths, $\frac{4}{25}$ths, $\frac{6}{25}$ths, $\frac{8}{25}$ths. After having paid their creditors, the assets were sold and realised £2210. Cedric Carter brought in all that was due from him, but Baron Butler, however, could produce nothing from his private estate (that estate being in bankruptcy, and absolutely insolvent). Prepare Realisation, Cash and Capital A/cs.

Answer.—*Loss on Realisation*, £6250.

Partnership Exercise 12.

Arthur Ainley is in business as an auctioneer, and on 31st December, 1909, his assets are:—Debtors, £3700; Furniture and Fittings, £480; Cash at Bank, £2450. His liabilities to sundry creditors amount to £750. As from that date a partnership is arranged with James Batley, under which Batley acquires the right to one-third of the future profits on the following conditions:—(1) Ainley is entitled to withdraw for his own use the sum of £2000; pending withdrawal, the amount is treated as a loan to the partnership. (2) The value of the Goodwill is fixed at the sum of £4500. (3) Batley is to pay into the concern, as his share of capital, the sum of £3000. Draft the opening Journal entries for the partnership books, and give the B/S. of the partnership at its commencement, after Batley has paid in his £3000.

Answer.—*Cap. A.A.* £8380; *J.B.* £3000; *Total B/S.* £14130.

Partnership Exercise 13.

John Gordon, Henry Harper, and Richard Avison are in partnership on the terms that Gordon receives out of profits a salary of £400 per annum, Harper, £500, and Avison £600; and that the balance of profits, after payment of salaries, shall be divided as to the first £4000, $\frac{3}{5}$rds to Gordon and $\frac{1}{5}$th each to Harper and Avison; and as to any excess above £4000 equally between the three partners. In consequence of illness, Gordon relinquishes his right to salary for the year 1909. The profits of that year, before charging salaries, amount to £6500; to what extent are Gordon, Harper and Avison respectively affected by Gordon's concession?

Answer.—*Gordon loses* £266 13 4; *Harper gains* £133 6 8; *Avison gains* £133 6 8.

TRADING ACCOUNTS.

189. A **TRADING** or **MANUFACTURING A/c.** partakes of the nature of a P. & L. A/c. in which the opening Stocks and the more immediate or **direct cost** of *production* alone, and not of *distribution*, is included. The productive items to be thus **debited** may consist of:—(**1**) Purchases of raw materials or finished goods, or materials consumed in the process of manufacture. (**2**) Packing materials, canvas, boxes, bags, cases, crates, straw, paper, string, labels, &c. (**3**) Carriage, cartage, transport, freight and shipping charges. Some accountants charge Carriage (Inwards) on Purchases to the Trading A/c., and Carriage (Outwards) on Sales to the P/L. A/c. (**4**) Coal, Gold, or other Mining Royalties or concession rents; as well as the working costs of mining, developing, hauling, winning, milling, tramming, cyaniding, surface damages, &c. (**5**) Customs or Excise Duties. (**6**) Coal, coke, and other fuel; when *extensively* used in the process of manufacture; as in the production of earthenware, bricks, metal ware, &c., otherwise in the P/L. A/c. The **credit** side of a Trading A/c. only contains the Sales or Output; Commissions received, and closing Stocks. In some manufacturing concerns the *net* value of "Materials consumed" is given, thus indicating that the stock has been deducted from the materials purchased; consequently the *stock* must *not* appear in the Trading A/c., only in the B/S. In gold mining only the gold produced must be credited to the Trading A/c.; gold ore in *stock* not having been crushed, &c., and made saleable, must *not* be shown as a profit, being merely an asset. *Trade* discounts (if any) should appear in this account, but Trade Expenses, by reason of their miscellaneous character, should be placed in the P/L. A/c. A Trading A/c. is **balanced** like an ordinary Goods A/c., the stock of materials and manufactured goods being credited and the *difference*, which is either a *gross* profit or a *gross* loss, being transferred to the P/L. A/c. From this you will gather that a

Trading A/c. combines the functions of a Goods A/c., and, to some extent, of a P/L. A/c. The only item in the Trading A/c. at the commencement is Stock, the results of the various subsidiary A/cs. being transferred to it on balancing. An A/c. is kept for **"Purchases,"** and another for **"Sales,"** the former being debited with all goods bought and credited with goods returned *by you*; and the latter being credited with all goods sold and debited with goods returned *to you*; the *difference* in each case being transferred to the Trading A/c., although the Returns Inwards may be shown therein as a deduction from the Sales, and the Returns Outwards as a deduction from the Purchases.

190. In mercantile establishments where there are departments in respect of which it is desirous to ascertain what profits they each realise, it will be necessary to keep separate Trading and P. & L. A/cs., and to apportion and debit against each department its share of the **Standing Expenses** or **Establishment Charges,** viz.:— Rent, taxes, insurance, depreciation, lighting, power, warehouse, and office salaries, *cash* discounts, &c. As in the case of a Trading A/c., these various items relating to the cost of *distribution* are, of course, only transferred from the subsidiary A/cs. to the P/L. A/c. when balancing. Where **Insurance** is paid in advance it is preferable to show it as a deduction on the Dr. side of the P/L. A/c. when possible; in other cases it must be entered on the Cr. side.

191. The division of the P. & L. A/c. into **two sections** is usual, the *first* section being for the establishment charges (which may be sub-divided into mill charges and warehouse and office charges), and the gross profit brought down from the Trading A/c. The *second* section of the P/L. A/c. shows on the Cr. side the balance brought down from section one and any rents or dividends received; and on the Dr. side such losses as do not affect your trading, for instance, partners' salaries, interest on capital, income tax, &c., as well as the disposition or appropriation of the net profit. The advantage

derived from thus dividing and sub-dividing the Trading and P. & L. A/cs. is in being able to readily watch the percentage of gross profit, and to compare the percentage earned during one period with that earned during another. The author has prepared some printed and ruled **foolscap sheets** with a view to illustrate and facilitate the working of exercises showing Trading and P/L. A/cs, and B/S., and will forward a complete set on receipt of 6d. These sheets are very useful for **business men** when preparing their own a/cs. at the half-yearly or yearly balancing.

Dr. **Sales A/c.** **Cr.**

1908		£	1908		£
Jan. 31	To Returns as per R.B.	366	Jan. 31	By Sundries as per S.B.	10306
Feb. 29	,, Ditto	278	Feb. 29	,, Ditto	9489
Mar. 31	,, Ditto	195	Mar. 31	,, Ditto	7523
April 30	,, Ditto	186	April 30	,, Ditto	6394
May 31	,, Ditto	284	May 31	,, Ditto	8468
June 30	,, Ditto	258	June 30	,, Ditto	9705
July 31	,, Ditto	395	July 31	,, Ditto	10104
Aug. 31	,, Ditto	294	Aug. 31	,, Ditto	8967
Sep. 30	,, Ditto	357	Sep. 30	,, Ditto	10032
Oct. 31	,, Ditto	258	Oct. 31	,, Ditto	5907
Nov. 30	,, Ditto	162	Nov. 30	,, Ditto	4460
Dec. 31	,, Ditto	99	Dec. 31	,, Ditto	5498
	,, *Net Sales carried to Trading A/c*.....	93721			
	£	96853		£	96853

Dr. Trading A/c. for the year ended 31st December, 1908. **Cr.**

	£		£
To **Stock**, *1st Jan. 1908*, viz:—		By Sales £96853	
Material in process... £17255		*Less* Returns 3132	93721
Finished Pieces 16428			
	33683	,, Commission Work.....	365
,, Materials consumed.....	36969	,, **Stock**. *31st Dec., 1908*:—	
,, Dyewares consumed	2399	Materials in process £15264	
,, Chemicals, Soap, Size, Oil, &c.	1608	Finished Pieces..... 16938	
,, Outwork	5266		32202
,, Packing Materials	225		
,, Carriage and Freight	942		
,, Wages.....	19816		
,, **Gross Profit** *carried to Profit & Loss A/c.*	25380		
	£ 126288		£ 126288

Dr. Profit and Loss A/c. Cr.

	£		£
To **Establishment Charges (Mill)**—		By Gross Profit from Trading A/c.....	25380
Mill Managers' Salaries .. £1000		,, Discount on Purchases	727
Mechanics', Joiners', Plumbers' Wages 405			
Watchmens' and Time-keepers' Wages 127			
Coal and Motive Power ... 1996			
Rents, Rates, Taxes, Gas, and Insurance 3539			
Mill Furnishings, Repairs, & renewals to Machinery 1602			
Mill Building Repairs 174			
Stables 140			
Cards 484			
Incidental Trade Expenses 268			
Depreciation, Plant. and Machinery 1380			
	11115		
,, **E.C. (Warehouse and Office)**—			
Warehouse & O. Salaries... 532			
Travellers' Salaries & Exs. 1218			
Rents, Rates, Taxes, Gas, and Insurance 393			
Stables 114			
Incidental Trade Expenses 200			
Commission 319			
Depreciation, Warehouse and Office Fittings 10			
	2756		
,, **General Charges**—			
Bank Charges 259			
Discount on Sales.....£1089			
Reserve for Discount 700			
1789			
Bad Debts..... 79			
Doubtful Debts R'serve 70			
149			
	2197		
Balance carried down	10039		
	£26107		£26107
To Partners' Salaries.....	£1500	By Balance b'd	10039
,, Interest on Loans and Capital	2400	,, Dividends received...	300
,, Loss on Investments	66	,, Rents received	27
,, Income Tax	200		
,, **Net Profit** *for the year*, viz. :—			
John Carnegie, three-fourths £4650			
Keir Hardie, one-fourth..... 1550			
	6200		
	£10366		£10366

192. A BALANCE SHEET must not only show whether you are solvent or insolvent, and the extent of your capital: but also of what your capital consists. Trading Capital is of two kinds—Fixed and Floating.

The term "Capital" must not be considered as referring only to the excess of assets over liabilities. "Capital" includes the amount of credit a person is able to obtain on B/P., open a/cs., loans or mortgages. In the following B/S. the **Trading Capital** is £21633 7s. 4d., while the **Traders' or Proprietors' Capital** is only £11259 16s. 2d.

193. FIXED CAPITAL is the property which you, as Capitalist, retain in your possession, and use in the conduct of your business. For instance: land, buildings, plant, machinery, tools, fixtures, horses, carts, goodwill and permanent investments. While a horse used by a tradesman for ordinary business purposes would be fixed Capital, one in the hands of a Horse Dealer would become **FLOATING CAPITAL,** which consists of property a capitalist exchanges or deals in, *buys* and *sells*, in the ordinary way of business with the object of making profit. For example: Stock-in-trade of every description, Money in whatever form, and book debts.

194. In preparing your B/S. you must always be careful to **marshal** or **rank** your **Assets** and **Liabilities** as shown in the specimen on page 221. The **Assets** must be arranged in the order in which they are available for the discharge of your liabilities. That is, those assets which may be readily realised, take precedence over those which are not so readily convertible into cash. The three items Cash, B/R. and Investments—total £7462 1s. 11d. would be called **Liquid Assets** on account of the fact that they are *immediately* available for the payment of your creditors. The **Liabilities** must be displayed in the order in which you would be called upon to meet them.

195. The question now arises, does the following B/S. show you to be free from financial embarrassments. Yes. Why? Because while your Current liabilities cannot possibly exceed £5373 11s. 2d., you have Liquid Assets to meet them amounting to £7462 1s. 11d.; surplus £2088 10s. 9d. Had your Liquid Assets, however, only amounted to £500, even though your other assets had been correspondingly increased, your financial position would have been considered unsound, inasmuch as you

would have been unable to readily meet the demands of your creditors. Such a B/S. while showing you to possess the same amount of capital, would nevertheless indicate what is known as **Overtrading,** which means purchasing beyond your capital; or trading without adequate means actually at command.

196. If you had occasion to place the following B/S. before your **Banker** with the object of **negotiating a loan** you would find that in forming his estimate of your financial position, he would depreciate your stock at least 10%, Plant, &c., 50%, Premises and Fittings, 75%, and totally disregard the Goodwill. Business premises are generally most difficult to dispose of when forced upon the market; Goods, Plant, Machinery and Fittings, when put under the hammer, are often sold at a great sacrifice, while Goodwill is generally unsaleable.

197. In **preparing** Trading, P. & L. A/cs., and B/S. from **exercises** it is advisable, first of all, to make a T.B., remembering *not* to include therein any of the various adjustment items, relative to reserves, depreciation, &c., which are generally given either at the beginning or the end of the exercise. When reserves and depreciations have to be provided be careful to show them both in the P. & L. A/c. and B/S. Where **depreciation** has been provided for in the a/cs. *before* the preparation of the T.B., it must be noted that the Real A/c. affected has been charged and that the *net* amount of the asset will appear among the Dr. balances of the T.B.; therefore if it is desired to show such depreciation in the B/S., it must first be *added* to the amount as shown in the T/B., and then deducted. Care must be taken not to charge *excessive* depreciation in respect of capital additions during the period under review; for instance, suppose a Machinery A/c. stands on 1st January at £5000, and, during the following June, additional Machinery is purchased of the value of £500, the depreciation to be reckoned on the annual balancing in December (unless otherwise stated), would *not* be 10% on £5500 for twelve months, but would be 10% per annum on £5000 = £500; plus 10% per annum on the £500 = £25, the latter being for six months only.

BALANCE SHEET of Messrs. Solvent & Capital on 31st December, 1910.

LIABILITIES.	£	s.	d.	£	s.	d.
Sundry Creditors, viz. :—						
On Mortgage of Freehold Premises				3000	-	-
Interest thereon						
Bank Overdraft						
On Loan, Arthur Swift				2000	-	-
On Bills Payable (as per List)				3005	2	6
On Open A/cs.	2493	1	8			
Less Reserve for Discount	124	13	-			
				2368	8	8
Capital, viz. :—	£	s.	d.			
Alfred Solvent, 1st Jan.	5000	-	-			
Add Interest on Capital	250	-	-			
Add ½ Share of Profits	2940	3	4			
	8190	3	4			
Less Drawings £1270 3 6						
„ Interest... 45 - -						
	1315	3	6			
				6874	19	10
John Capital, 1st Jan.	2500	-	-			
Add Interest on Capital	125	-	-			
Add ½ Share of Profits	2940	3	4			
	5565	3	4			
Less Drawings £1150 - -						
„ Interest... 30 7 -						
	1180	7	-			
				4384	16	4
				11259	16	2

Contingent Liability on B/R. discounted and not matured £1169 7s. 6d.

ASSETS.	£	s.	d.	£	s.	d.
Cash at Bank	2305	9	6			
„ at Office	15	-	-			
				2320	9	6
Investments (as per List)				1725	5	8
Sundry Debtors, viz. :—						
On Bills Receivable				3416	6	
On Open Accounts £1750 -						
Less Doubtful Debts Reserve 87 10						
	1662	10	-			
Less Reserve for Discount	83	2	6			
				1579	7	6
Stocks, viz. :—						
Materials in process	896	10	-			
Finished Goods	1340	9	8			
Material	762	4	6			
Sundry Stores	169	7	9			
Goods on Consignment	326	5	6			
				3494	17	5
Plant and Machinery.						
On 1st January, 1910 £2000						
Add Additions £200						
	2200	-	-			
Less 10 per cent. Depreciation	220	-	-			
				1980	-	-
Horses, Carts, and Rolling Stock.						
On 1st January, 1910	214	10	6			
Less Depreciation	20	-	-			
				194	10	6
Freehold Premises.				6000	-	-
Warehouse and Office Fittings and Furniture, 1st January, 1910	150	-	-			
Less 5 per cent. Depreciation	7	10	-			
				142	10	-
Goodwill on 1st January, 1910	1000	-	-			
Less 25 per cent. Depreciation	250	-	-			
				750	-	-
Insurance prepaid				30	-	-
			£	21633	7	4

198. ERRORS, their Discovery and Rectification. If the **totals** of the **Trial Balance** should disagree you must first of all carefully recast them in order to satisfy yourself that the error is not in the totalling. Then compare each item in the T.B. with the respective totals or balances, some of which you may have omitted to carry to the T.B. or placed in the wrong column thereof, or it may be that some of the totals or balances are themselves incorrect. If still undiscovered ascertain the *difference* existing, and look carefully through the Journal for that amount, or the half, or the double of it, and if detected, confirm it by reference to the Ledger posting. If your search proves unsuccessful you must then check each posting until the error be found. You may have omitted to post an item, or have transposed or misplaced the figures, *i.e.*, £1 18 4 as £11 8 4. The value of stock must never be credited before the T.B. is arranged, as it would create a disagreement between the two columns. The T.B. will not reveal such errors as (*a*) posting an amount to the *wrong A/c.* (*b*) omitting to post *two* equal sums to both sides of the Ledger.

199. ERRORS IN JOURNALISING, if discovered before posting, may be ruled through, and a fresh entry made. Should, however, an incorrect entry have been posted, it will be necessary to make a compensating entry in the Journal to remedy the defect. The following are a few examples of errors, each followed by its rectifying Journal entry :—

1. "E. Bate, Dr. to A. Field, £50," instead of £150.
   E. Bate Dr. to A. Field, £100.
2. "Bank Dr. to I. Kay £300," instead of J. Kay.
   I. Kay Dr. to J. Kay, £300.
3. "T. Smith Dr. to Goods, £20," instead of Bank Dr. to Goods. *Bank Dr. to T. Smith*, £20.
4. "Cash Dr. to Bank, £100," instead of Bank Dr. to Cash.
   Bank Dr. to Cash, £200.
5. "Cloth Dr. to A Cook, £50," instead of Cloth Dr. £150, to Cook & Co., £50., and A. Cook, £100.
   Cloth Dr. £100, *To Cook & Co.*, £50. *and A. Cook*, £50.
6. "B. Gott, Dr. to Bank, £35," instead of Bank Dr. to B. Gott, £3 5 -. *Bank Dr. to B. Gott*, £38 5 -.
7. "Brook Bros., Dr. to Goods, £380," instead of Brook Bros., £300 and Brooks & Co., £80 Dr. to Goods.
   Brooks & Co., Dr. To Brook Bros., £80.

200. ERRORS IN POSTING must be rectified by transfer entries which must be passed through the Journal. The compensating Journal entry is given after each of the following examples of mis-postings.

1. Posted £50 to the Cr. side of A. Hart's a/c. instead of the Cr. side of T. Sterne's a/c.
   A. Hart Dr. to T. Sterne, £50.
2. Posted £10 to the Cr. side of Goods a/c. and the Dr. side of F. Day's a/c., instead of the Dr. side of Goods a/c. and Cr. side of F. Day's a/c.
   Goods Dr. to F. Day, £20.
3. Posted T. Flint Dr. to Bank £50 to both a/cs., instead of £56. *T. Flint Dr. to Bank*, £6.

201. LEDGERS being for **postings only** from the "*Books of Original Entry*," no entries must be made therein without having been first entered either in the Cash or one of the subsidiary books. When this rule is violated the original entry in the Ledger is known as a "Blind Entry." In extensive concerns it is found necessary to keep the Ledgers in parts or sections on account of the impossibility for one Book-keeper to post all the transactions, and the inconvenience that would arise from having to handle an otherwise large and cumbrous book. Ledgers are primarily divided into three:—(1) **Credit** or **Purchases Ledger**; (2) **Debit** or **Sales** or **Customers' Ledger**; (3) **Impersonal** or **General Ledger.** In very large establishments the first two are further divided into London and Country, Home and Foreign, and District or Travellers' Ledgers, each one being kept by a different Book-keeper, who makes out his own Statements, and checks those coming in from other firms relating to his own department. The Debtors' and Creditors' Ledgers are, of course, posted daily. The Impersonal or General Ledger is for recording all a/cs. except personal a/cs. and cash or bank, and is often kept by a member of the firm, the postings being made monthly. The **Impersonal Ledger** may be divided into two books—**General** and **Private**—the former containing all the subsidiary P. & L. A/cs. and the latter being reserved for the Capital. Trading, P. & L. A/cs. and B/S. only. In the case of **Banks,** the a/cs. of the customers are contained in a large number of Ledgers, each of which is allotted to one or more letters of the alphabet, *e.g.*, : A to C ; D to G ; H to L ; M to O ; P to S ; T to Z.

202. When **Sectional Ledgers** are thus employed they should be made **Self-balancing,** *i.e.*, balance in themselves without the aid of any other book; contain within themselves a complete T.B. The special **advantages** of Self-Balancing Ledgers are in reducing the risk of compensating errors remaining undetected; in being able to localise errors to any one particular Ledger, in helping to prevent or detect fraud on the part of one of the Book-keepers; in other words, to verify the accuracy of each Ledger separately. The Purchases and Sales Ledgers, which always contain the greater number of accounts, should be balanced separately at least once every month, so as to avoid having to check a large number of postings in case of an error. **Exercise 28,** page 101, is taken for the purpose of illustrating this subject. The Journal, Purchases, Sales, and Cash Books require to be entered in the usual way, plus *three extra cash columns* in the Journal and on each side of the Cash Book, headed "Purchases Ledger," "Sales Ledger," "General Ledger," although some Book-keepers might prefer to dissect or *summarise* the various entries similar to the Sales Book on page 92, and thus dispense with the extra columns suggested. **Post** the following accounts to the **Purchases Ledger:** J. Morrison & Sons, Robertson & Cooper, D. Byer & Sons, Glasgow Aniline Co., Rennie & Sons, A. Millar; to the **Sales Ledger:** A. Leslie & Co., Gordon & Jackson, A. Macdonald & Co., Borthwick & Stewart, J. Baird & Sons, Henderson & Linton, Boyd & Nesbit; the remainder of the accounts to the **General Ledger.**

203. If each Ledger is kept separately it follows that, in order to carry out the principle of double entry, certain Adjustment, or Reconciliation, or Balance A/cs. must be kept; for instance, all the items in the Purchases Book have been posted to the Cr. side of the personal a/cs. in the Purchases Ledger, and in order to complete the double entry the *total* of these purchases must be debited to an "*Adjustment A/c.*" in that Ledger and credited to the "*Purchases Ledger Adjustment A/c.*" in the General Ledger. This shows that for every item posted in the Departmental Ledgers there must be posted a contra or opposite entry to an Adjustment A/c., these items being entered

in totals for convenience. Thus every Ledger is made self-balancing by each Departmental Ledger containing a *General Ledger Adjustment A/c.*, and the General Ledger having an *Adjustment A/c.* for each Departmental Ledger.

204. In the **Purchases Ledger** open an account headed *General Ledger Adjustment A/c.*, and post to the **Dr.** side from the Purchases Ledger Column of the Journal the total of the opening entries, £1118 6 6, also the £18 5 9 for Stationery. The next items to be debited are the **totals** of the **Purchases Book:** Dyewoods £381 5 -; Colours £641 16 8. The Adjustment A/c. must now be *credited* with the **total** of the Purchases Ledger Column on the **Cr.** side of the **Cash Book** (including discount), £952 0 4. If there had been any goods returned or Bills accepted, the totals thereof would also have needed crediting. The **difference** between the two sides of this a/c. is £1207 13 7, which is the total of the balances of the Purchases Ledger, and agrees with the balance of the *Purchases Ledger Adjustment A/c.* in the General Ledger. As there is always a greater value of *credit* than debit balances in the Purchases Ledger, it follows that the Adjustment A/c. will always show a *debit* balance.

Dr. General Ledger Adjustment A/c. Cr.

1908		£	s.	d.	1908		£	s.	d.
Jan. 1	To Credit of Purchases Ledger.....	1118	6	6	Jan. 31	By Cash Book total of Cr. entries ...	921	-	-
,, 19	,, Journal (Stationery)	18	5	9		,, Discount	31	-	4
,, 31	,, Sundries, per Purchases Book—					,, Returns Book ...	-	-	-
	Dyewoods ...	381	5	-		,, Bills Payable.....	-	-	-
	Colours	641	16	8		,, *Balance c/d*.....	1207	13	7
	£	2159	13	11		£	2159	13	11
Feb. 1	To Balance b/d.	1207	13	7					

205. In the **Sales Ledger** open an account headed *General Ledger Adjustment A/c.* and post to the **Cr.** side from the Sales Ledger column of the Journal the total of the opening entries, £639 10 7, and *debit* the Bad Debt of £8 18 2. The next items to be credited are the **totals** of the **Sales Book;** Dyewoods £700 5 1, Colours £1666 16 1.

This Adjustment A/c must now be *debited* with the **total** (less discount) of the Sales Ledger Column on the **Dr.** side of the **Cash Book** £999 3 4; also Discount £19 16 3. If there had been any goods returned or Bills received the totals thereof would have needed debiting. The **difference** between the two sides of this a/c. is £1978 14 -, which is the total of the balances of the Sales Ledger, and agrees with the balance of the *Sales Ledger Adjustment A/c.* in the General Ledger. As there is always a greater value of *debit* than credit balances in the Sales Ledger it follows that the Adjustment A/c. will always show a *credit* balance.

Dr. General Ledger Adjustment A/c. Cr.

1908		£	s.	d.	1908		£	s.	d.
Jan. 31	To Journal (Bad Debt)		8	18	2	Jan. 1 By Debit of Sales Ledger b/f	639	10	7
,, ,,	,, Cash Book total of Dr. entries	999	3	4	,, 31	,, Sundries per Sales Book—			
,, ,,	,, Discount		19	16	3	Dyewoods	700	5	1
,, ,,	,, Returns Book	-	-	-		Colours	1666	16	1
,, ,,	,, Bills Receivable	-	-	-					
,, ,,	,, *Balance c/d*	1978	14	-					
	£	3006	11	9		£	3006	11	9
					Feb. 1	By Balance b/d	1978	14	-

In the **General Ledger** open the two following a/cs :—

Dr. Purchases Ledger Adjustment A/c. Cr.

1908		£	s.	d.	1908		£	s.	d.
Jan. 31	To Cash Book	921	-	-	Jan. 1	By Credit of Purchases Ledger b/f	1118	6	6
,, ,,	,, Discount	31	-	4	,, 19	,, Journal (Staty)	18	5	9
,, ,,	,, Returns Book	-	-	-	,, 31	,, Sundries P/B.—			
,, ,,	,, Bills Payable	-	-	-		Dyewoods	381	5	-
,, ,,	,, *Balance c/d*	1207	13	7		Colours	641	16	8
	£	2159	13	11		£	2159	13	11
					Feb. 1	By Balance b/d.	1207	13	7

Dr. Sales Ledger Adjustment A/c. Cr.

1908		£	s.	d.	1908		£	s.	d.
Jan. 1	To Debit of Sales Ledger b/f	639	10	7	Jan. 31	By Journal (Bad Debt)	8	18	2
,, 31	,, Sundries per S/B.				,, ,,	,, Cash Book	999	3	4
	Dyewoods	700	5	1	,, ,,	,, Discount	19	16	3
	Colours	1666	16	1	,, ,,	,, Returns Book	-	-	-
					,, ,,	,, Bills Receivable	-	-	-
					,, ,,	,, *Balance c/d*	1978	14	-
	£	3006	11	9		£	3006	11	9
Feb. 1	To Balance b/d	1978	14	-					

206. From the above it will be seen that the Adjustment A/cs. in the Purchases and Sales Ledgers are identical with their respective Adjustment A/cs. in the General Ledger, except that the debits in one are credits in the other, and *vice-versa*. Therefore, if the balances of these two a/cs. agree, the postings should be correct. The adjustment entries should, of course, be made through the Journal, similar to the following :—

On Proving Purchases Ledger. Ex. 28.

1908		Dr. £	s.	d.	Cr. £	s.	d.
Jan. 1	General Led. Adj. A/c. .....Dr.	1118	6	6			
	To Purchases Led. Adj. A/c..				1118	6	6
	(Being Cr. Balances at commencement of month)						
„ 19	General Ledger Adj. A/c. .....Dr.	18	5	9			
	To Purchases Led. Adj. A/c..				18	5	9
	(Being Purchase of Staty. from J.)						
„ 31	General Ledger Adj. A/c, ...Dr.	1023	1	8			
	To Purchases Led. Adj. A/c..				1023	1	8
	(Being Purchases for month).						
„ 31	Purchases Led. Adj. A/c. .....Dr.	921	-	-			
	To General Led. Adj. A/c.....				921	-	-
	(Being Cash paid during month).						
„ 31	Purchases Led. Adj. A/c. .....Dr.	31	-	4			
	To General Led. Adj. A/c.....				31	-	4
	(Being Dis. allowed on payments).						

On Proving Sales Ledger. Ex. 28.

1908		£	s.	d.	£	s.	d.
Jan. 1	Sales Led. Adj. A/c. .....Dr.	639	10	7			
	To General Led. Adj. A/c. ..				639	10	7
	(Being Dr. Balances at commencement of month).						
„ 31	General Led. Adj. A/c. .....Dr.	8	18	2			
	To Sales Led. Adj. A/c.				8	18	2
	(Being Bad Debt from Journal).						
„ 31	Sales Led. Adj. A/c. .....Dr.	2367	1	2			
	To General Led. Adj. A/c....				2367	1	2
	(Being Sales for month).						
„ 31	General Led. Adj. A/c. .....Dr.	999	3	4			
	To Sales Led. Adj. A/c.....				999	3	4
	(Being Cash received during month)						
„ 31	General Led. Adj. A/c. .....Dr.	19	16	3			
	To Sales Led. Adj. A/c.				19	16	3
	(Being Discount allowed on receipts)						

Dr. **CASH BOOK. Exercise 28** (page 101.)

	RECEIPTS	Led Fo.	Purchases Ledger	Sales Ledger £ s. d.	General Ledger	Discount £ s. d.	Office. £ s. d.	Bank. £ s. d.
1908								
Jan. 1	To Balance	b/f					87 16 8	500 - -
,, 6	,, Gordon & Jackson			84 16 5		2 2 5	82 14 -	
,, 7	,, Office							160 - -
,, 12	,, Bank						40 - -	
,, 20	,, Andrew Leslie & Co			138 4 6		3 9 6		134 15 -
,, 21	,, Alexander Macdonald & Co			216 9 8		5 8 8	211 1 -	
,, ,,	,, Borthwick & Stewart			101 12 3		2 10 3	99 2 -	
,, 22	,, James Baird & Sons			117 15 5		2 18 5	114 17 -	
,, ,,	,, Bank						30 - -	
,, ,,	,, Henderson & Linton			133 7 -		3 7 -	130 - -	
,, ,,	,, Office							555 - -
,, 26	,, Boyd & Nesbit			200 - -				200 - -
,, 31	,, Boyd & Nesbit			26 14 4			26 14 4	
			For receipt of Cash paid in excess to Creditor,		For receipt of Capital or Discounted B/E.			
				£1018 19 7		£19 16 3	£822 5 -	£1549 15 -
Feb. 1	To Balance	b/d					28 6 4	482 12 -

CASH BOOK. Exercise 28 (page 101). Cr.

	PAYMENTS.	Led Fo.	Purchases Ledger £ s. d.	Sales Ledger	General Ledger £ s. d.	Discount £ s. d.	Office £ s. d.	Bank £ s. d.
1908								
Jan. 5	By Rennie & Sons		100 - -					100 - -
,, 7	,, Bank						160 - -	
,, 8	,, Office Furniture A/c				6 10 -		6 10 -	
,, 10	,, Robertson & Cooper		220 - -			20 - -		200 - -
,, 12	,, Office							40 - -
,, 13	,, Wages A/c.				11 12 -		11 12 -	
,, 15	,, Rennie & Sons		281 5 -					281 5 -
,, ,,	,, Horse Corn				3 8 6		3 8 6	
,, 18	,, Carriage A/c.				8 5 6		8 5 6	
,, ,,	,, Glasgow Aniline Co.		153 16 9			7 13 9		146 3 -
,, 20	,, Robert Inglis (Drawings A/c.)				15 - -		15 - -	
,, 21	,, Repairs				3 8 6		3 8 6	
,, ,,	,, John Morrison & Sons		178 12 10			2 9 10		176 3 -
,, 22	,, Office							30 - -
,, ,,	,, Repairs				6 18 6		6 18 6	
,, ,,	,, Bank						555 - -	
,, 24	,, Wages A/c.				22 5 8		22 5 8	
,, ,,	,, Rent				25 - -			25 - -
,, 25	,, Wilson Glennie (Drawings A/c.)				20 - -			20 - -
,, ,,	,, Alexander Millar		18 5 9			- 16 9		17 9 -
,, 28	,, Insurance				1 10 -		1 10 -	
,, 29	,, Robert Inglis (Drawings A/c.)				20 - -			20 - -
,, 31	,, Trade Exs. A/c.				11 3 -			11 3 -
,, ,,	,, *Balance*	*c/d*					28 6 4	482 12 -
			£952 - 4		£155 1 8	£31 - 4	£822 5 -	£1549 15 -

For payment of Cash received in excess to Debtor.

Exercise 28 (page 101)

Purchases Ledger Trial Balance.	Dr. £	s.	d.	Cr. £	s.	d.
John Morrison & Sons				78	5	-
Robertson & Cooper				505	14	5
David Byer & Sons				387	18	6
Glasgow Aniline Co				235	15	8
Rennie & Sons						
Alexander Millar						
General Ledger Adjustment A/c.	1207	13	7			
	£1207	13	7	1207	13	7

Sales Ledger Trial Balance.	Dr. £	s.	d.	Cr. £	s.	d.
Andrew Leslie & Co.	454	8	-			
Gordon & Jackson	703	16	4			
Alexander Macdonald & Co.	145	5	-			
Borthwick & Stewart						
James Baird & Sons	261	1	2			
Henderson & Linton	414	3	6			
Boyd & Nesbit						
General Ledger Adjustment A/c.				1978	14	-
	£1978	14	-	1978	14	-

General Ledger Trial Balance.	Dr. £	s.	d.	Cr. £	s.	d.
Robert Inglis, Capital A/c.				1330	6	6
Robert Inglis, Drawings A/c.	35	-	-			
Wilson Glennie, Capital A/c.				1425	19	5
Wilson Glennie, Drawings A/c.	20	-	-			
Dyewoods A/c.	761	18	4			
Colours A/c.	261	7	4			
Office Furniture A/c	106	10	-			
Horses, Waggons, &c. A/c.	180	-	-			
Wages A/c.	33	17	8			
Carriage A/c.	8	5	6			
Trade Expenses A/c.	69	14	3			
Bad Debts A/c.	8	18	2			
Purchases Ledger Adjustment A/c.				1207	13	7
Sales Ledger Adjustment A/c.	1978	14	-			
Cash A/c.	28	6	4			
Bank A/c.	482	12	-			
Discount A/c.				11	4	1
	£3975	3	7	3975	3	7

207. There is, perhaps, nothing in the work of the book-keeper, particularly in a large business which is more tedious and laborious and causes such a waste of time as the periodical transfer of accounts from a full into a new Ledger. His attempt to allocate to each account the number of pages it is *expected* they will occupy is always more or less futile; reference to the index will generally show that a large number of the accounts have been moved into several different positions, thus making the allocation of an account by its folio somewhat difficult. With the view to avoid this periodical transference of accounts and to generally economise in this matter, there are now being introduced what are known as **Perpetual Ledgers,** which consist either of (1) **loose leaves** bound together in the form of an ordinary bookwise letter-file, where a punched leaf may be inserted or extracted at will; or (2) **loose cards** kept in a drawer or tray, into which the cards are fastened by means of a rod passing through a slot in the bottom of the card. Both systems admit either of the alphabetical or numerical arrangement of the sheets and cards, or a combination of the two; and the advantages afforded by the adoption of either system may be stated as follows:—(1) Opening of new Ledgers dispensed with. (2) The position of an account *never changes*. (3) No blank leaves or cards. (4) The removal of "dead" or closed accounts and full sheets or cards to the "Closed A/c." division of the file. (5) The handling of "live" or current accounts only. (6) The greater facility with which the monthly Statements may be prepared. (7) Greater facility for auditing.

208. All Ledgers are **Indexed,** the method adopted varying with the extent and character of the business. In small offices an ordinary alphabetical index is used; in a larger office each letter of the alphabet is treated in vowel order, *i.e.*, the names are entered in one of six columns (see appendix), according to the first vowel after the initial letter in the surname. In the largest counting houses the index, in addition to being arranged in vowel order, is classified into the counties or districts in which

the debtors and creditors carry on business. In the case of a large book it is often an advantage to have the index made separate instead of being bound into the book ; or better still to adopt the modern system of **Card Indexing,** where a separate card, slotted into a tray, is used for each name. This system is not only most effective by reason of its handiness and elasticity, but it obviates the great labour involved in rewriting an index.

209. STOCK BOOK. As its name implies this book contains an **inventory** of the **merchant's goods** on hand. There must be two sides, one for goods purchased, and the other for goods sold. It is customary to enter the date of the transactions, and the quantity, class, price and total cost of the goods. The purchases side is particularly useful to the merchant, as it enables him to ascertain, readily, at what price he can sell in order to make a reasonable profit. This book is chiefly useful to the merchant who buys and sells the same kind of goods. The manufacturer who produces goods would have no use for such a book. He would, however, keep a :—

210. WAREHOUSE BOOK (W.B.) which would contain full particulars of the **manufactured articles.** This book presents to the manufacturer in a concise manner his **saleable stock,** and thereby assists him in regulating the output of his production. The goods received into the warehouse would be entered on one side and the goods sent out on the other. The form of the entries must, of course, vary with the nature of the business.

211. WAGES. Contract A/cs. must only be debited with such wages as directly increase the cost of production. Wages paid for tanning hides are productive, as the leather is worth more than the raw hides. Wages paid to the stone-mason are productive, as the dressed stone is more valuable than the block just quarried. In such cases the Tanner would debit his Trading A/c. and the Builder his Contract A/c. Wages paid to clerks and book-keepers, however, are not directly productive, and

should generally be debited to the P/L. A/c. as a charge against the entire business. Should a clerk, however, be *exclusively* engaged, say, in keeping the books and acting as cashier on a large contract, then you would debit such contract with his salary.

212. WAGES BOOK. This subsidiary book contains full particulars of each amount paid for wages. At least five columns are required, the first two being for the number and name of the employee, the third for the number of hours worked, the fourth for the rate of payment, and the fifth for the amount paid. Columns 3, 4, and 5 may be repeated on the same folio for as many weeks as the pages will admit of rulings, thereby saving the frequent rewriting of the names. The weekly total is, of course, entered in the Cash Book and from there posted to the Wages A/c. in the Ledger. In the case of a departmental business either a separate W/B or separate columns would be kept for each department, or a summary would be prepared of the general W/B, and each department debited with its proper share.

WAGES BOOK.

No.	Name.	No. of Hrs	Rte	*July* 6 £	s.	d.	No. of Hrs	Rte	*July* 13 £	s.	d.	No. of Hrs	Rte	*July* 20 £	s.	d.
1	Brown, Chas	42	9	1	11	6	40	9	1	10	-	35	9	1	6	3
2	Day, James..	40	8	1	6	8	38	8	1	5	4	40	8	1	6	8
3	Sykes, Bill ..	35	6	-	17	6	48	6	1	4	-	48	6	1	4	-
4	Hoyle, John	46	6½	1	4	11	48	6½	1	6	-	56	6½	1	10	4

EXAMINATIONS IN BOOK-KEEPING.

213. Book-keeping is one of the subjects specified in the Examination Syllabuses of the following professional societies :—**The Institute of Chartered Accountants** (*Moorgate Place, E.C.,*) **The Society of Incorporated Accountants and Auditors** (*50 Gresham Street, Bank, E.C.,*) **The Institute of Chartered Accountants in Ireland** (*4 College Green, Dublin*), **The Institute of Municipal Treasurers and Accountants (Incorporated)** (*Town Hall, Kensington, W.*), **The Corporation of Accountants, Ltd.** (*190 West George Street, Glasgow*), **The Central Association of Accountants, Limited** (*65 London Wall, London, E.C.,*) **The London Association of Accountants, Ltd.** (*21 Balfour House, Finsbury Pavement, E.C.,*) **The Faculty of Accountants, Ltd.** (*17 Bouverie Street, E.C.,*) **The Institute of Bankers** (*34 Clement's Lane, E.C.,*) **The Institute of Actuaries** (*Staple Inn Hall, Holborn, W.C.,*) **The Chartered Institute of Secretaries** (*65 London Wall, E.C.,*) **The Surveyors' Institution** (*12 Great George Street, Westminster, S.W.,*) and **The Incorporated Law Society** (*Chancery Lane, W.C.,*) intermediate examination only. This textbook which contains many **Examination Papers** set by some of the above Societies, covers the whole of the work specified by their respective syllabuses. In addition to the above *special* bodies, at whose examinations only those who are *articled* or otherwise *specially qualified* are permitted to sit, there are the following **public examining bodies,** at whose examinations anyone may sit on payment of the necessary fee (if any) to the Secretary of the examining centre :—The Society of Arts ; The London Chamber of Commerce ; The National Union of Teachers ; The West Riding County Council ; The Lancashire and Cheshire Union of Institutes ; The Midland Counties Union of Educational Institutions; **The Association of Book-keeping Teachers** (*112 Palace Gates Road, Alexandra Park, London, N.*) ; The College of Preceptors (*Bloomsbury Square, W.C.,*) held in June and December ; The University of **Oxford** (*Merton Street, Oxford*), held in July ; and

The University of **Cambridge** (*Syndicate Buildings, Cambridge*), held in July and December. The **Local Examinations** held by the two Universities, as well as the Examination of the **College of Preceptors,** all three of which are covered by working to Exercise 43 of this textbook, are chiefly patronised by Grammar Schools. In **Civil Service** (*C.S. Commissioners, Burlington Gardens, London, W.*) examinations, book-keeping is an optional subject for Second Division Clerkships, and compulsory for Customs' Outport Clerkships, Assistant Surveyor of Taxes, and others; the examination papers set being amply covered by working to Ex. 65.

214. The Society of Arts examinations are held about the end of March or early in April in each year, and the results are announced in July or August. The *Elementary* or *Stage I.* Examination, for which the entrance fee is 2/-, is an easy test, and is well covered by the first 100 pages of this textbook. An Exercise is set on the use of the Ledger and the posting of simple transactions. Questions must be answered relative to simple business terms and abbreviations, and on the use of business Forms, Bank Notes, Cheques, and Receipts; Order, Postage, Petty Cash, Cash and Stock Books. To gain a Certificate 50% of the total marks must be obtained. *Intermediate* or *Stage II.* is covered by working to Exercise 100; and the *Advanced* or *Stage III.* by studying the remainder of the book. In each case the entrance fee of 2/6 must be paid early in March to the Secretary of the centre where you intend sitting. A copy of the Society's Programme, containing the previous year's Examination Papers, is issued in September each year, and may be had from the *Secretary, John Street, Adelphi, W.C.*, for 3d., postage 1½d. First and Second Class Certificates are awarded; the minimum percentage of marks required for Stage II. being 70 and 40 respectively; and for Stage III. 75 and 50 respectively. The Examination Paper of Stage II. (of which Exercises 44 to 65 are examples) is now divided into two sections: Questions and Exercises. Candidates may answer *one* question, but not both. Both exercises are required of all candidates. All the exam. papers set for Stage III. will be

found among the papers at the end of the exercises. The syllabus in this stage states that candidates must be prepared to work an exercise and also *answer questions* (not work exercises) upon :—(1) The principal and subsidiary books employed in different enterprises, whether governed by private trading agreements, or by the Companies' Act, or by special Acts of Parliament. (2) The statistical books of limited and other companies. (3) The methods of keeping and presenting A/cs. (including "branch" and "departmental" a/cs.) of manufacturing, carrying, insurance, banking, lighting, water, &c., companies ; and also including the "columnar system" and the "sectional system of self-balancing ledgers."

215. **Keys** to the **Grade 2** Examination Papers for the past **10** years, consisting of the Trial Balance of Part I., and the Trading, P. & L. A/cs., and B/S. of Part II., may be had in the form of a booklet for the small sum of 7d. post free for cash (not on credit) from *Mr. Edwin Wilson, 23 George Street, Halifax.* Mr. Wilson also supplies **fully-worked Keys,** for both **Grades 2 and 3,** at **7d. each,** per year, post free for cash with order only. These models should be carefully studied by every candidate.

216. As will be seen from the exam. papers given at the end of the exercises the subject of **Accounting and Banking,** which is a Stage III. subject only, is practically covered by a careful study of the *whole* of this textbook, and should not be taken until book-keeping has been thoroughly mastered. **Fully-worked Keys** to these Exam. Papers may also be had from *Mr. Edwin Wilson, 23 George Street, Halifax*, at **7d.** per year.

217. **The London Chamber of Commerce** examinations are usually held about the middle of May each year, the results being announced about the end of July. They are divided into "Junior" and "Senior," the entrance fees being respectively 2/6 and 5/-. The "Junior" examination is equivalent to Stage II. of the Society of Arts, and is therefore covered by working to Exercise 100 of this textbook. The "Senior" is equivalent to Stage III. of the Society of Arts, and requires a careful study of the whole book. The L.C.C. also hold exams. for Teachers' Diplomas, the same papers being

set as for the "Senior," with additional questions for those desirous of taking the diploma. Candidates are required to answer both the ordinary and additional questions, and obtain a higher percentage of marks for a "Pass" or for "Distinction" than is expected for the Senior Certificate. A copy of the Syllabuses, issued in September, may be had from the *Secretary, Oxford Court, Cannon Street, E.C.*, free of charge. **Fully-worked Keys** to **L.C.C.** Junior and Senior Exam. Papers may be had from *Mr. Edwin Wilson, 23 George Street, Halifax*, for *cash* only, at **7d. each,** per year, from 1905.

218. The exams. held by the **National Union of Teachers** about the end of April, cover the usual three stages, the entrance fee being 1/6. The Syllabus may be obtained from the *Secretary, 71 Russell Square, W.C.* The **West Riding County Council** examinations are held about the beginning of May each year, there being no entrance fee. The Syllabus, a copy of which can be obtained from the *Director of the Education Department, County Hall, Wakefield*, for two stamps, is covered, in the Elementary Stage, by working Exercises 1 to 33; in the Intermediate Stage, by working up to Exercise 63; and in the Advanced Stage by working to the end of the book. **The Lancashire and Cheshire Union of Institutes** also holds examinations every March in all the three Stages, every item in the syllabus being covered by this book, similarly to the W.R.C.C. exams. The entrance fee is 10d. in respect of students of the affiliated institutes: for external students 2/6. A Syllabus may be obtained (post free 2d.) from the *Secretary, 259 Deansgate, Manchester*. The results are generally announced about the end of June. The marks on the Examination Papers are apportioned as follows: Elementary: theory 20, practical a/cs. 100. Intermediate: theory 20, practical a/cs. 100. Advanced: theory 30, practical a/cs. 90. **Fully-worked Keys** to the **W.R.C.C.** and **L. & C. Union** Advanced Exam. Papers may be had from *Mr. Edwin Wilson, 23 George Street, Halifax*, at **1/- each** per year.

219. The **Midland Counties Union** of Educational Institutions holds an examination in the Elementary and Intermediate Stages, in March or April each year, the fees being 1/- for internal and 1/6 for external candidates, payable the last week in February. First-class certificates

are awarded to those securing 75% of marks, and a second-class for 50 marks and upwards. A Syllabus may be obtained from the Secretary, *Mr. W. J. Harris, Technical School, Handsworth, Staffs.*

220. Success at the **Examination** depends upon knowledge, accuracy, dexterity, and style. Reliable **knowledge** is only to be acquired by *methodical* and painstaking work, which alone can result in obtaining a *real grasp* of the principles and practice of accounts. The work done at a class which meets but once a week is insufficient to ensure a trustworthy acquaintance with the subject unless it is supplemented by considerable **homework.** Between the class meetings, in addition to preparing exercises, carefully study those portions of the textbook under review, and, upon matters not thoroughly understood, write out questions for the teacher to answer at the following class. **Accuracy** is only attainable by undivided attention, by concentration of mind upon the particular work in hand. Inaccuracies often arise through general slovenliness, bad figuring, and the desire to work too rapidly, the result being a waste of both time and energy. While it is possible for the most precise book-keeper to make a mistake it is a well-known fact that those who are in the *habit* of committing errors are those who allow their minds to wander and their attention to be diverted to matters which do not concern the duty of the moment. Concentration and carefulness must be cultivated when dealing with figures and problems in accounts if accuracy is to be secured. **Dexterity** in the manipulation of exercises and examination papers can only be achieved by *methodical* and *persistent practice.* Fitful work is of little avail; excellent methods at least double one's capacity for dispatching work. Mere reading of the textbook is useless of itself in the solution of practical problems. It is possible to have a profound knowledge of the mechanism of a typewriter and yet, by reason of not having operated the machine, be quite unable to type even a short letter. Book-keeping is not only a science—systematised knowledge, it is also an art—skill in using knowledge; and skill in accounts may only be acquired by *methodical and assiduous practice.* No student should enter himself for an examination unless

he has worked numerous exercises in general Book-keeping, familiarising himself with recording all kinds of transactions, plus at least 5 (preferably 25) examination papers set by the particular examining body whose examination he is taking. This practice will enable the student to gauge the time necessary to devote to each part of the test paper when in the examination room. **Style** is the topstone of excellence, the hall-mark of the superior worker. Although the foundation may be well and truly laid it must not be forgotten that it is the elegant superstructure which reveals the master mind ; the delicate hand of the artist, who considers no detail too trivial to receive his concentrated attention. Without the inspiration of excellence there can be no real satisfaction and success. The desire to dispose of a great number of exercises must not be allowed to interfere with stylish work ; *quality* always being more important than quantity. No subject lends itself more to the exercise of style, arrangement, display and neatness, than Book-keeping. The various methods of setting out transactions in the books, as well as in the preparation of Trading and Profit and Loss A/cs. and B/S. should be carefully studied. A copy of one of the fully-worked keys to the Society of Arts and other exam. papers, by Mr. Edwin Wilson, is a useful guide as to setting and style.

221. Never **proceed** to an **examination** without first having seen at least one previous paper and mastered the "*Instructions to Candidates.*" Non-compliance with instructions has caused hundreds to fail who might otherwise have succeeded. Immediately on receipt of the examination paper read carefully through the "Instructions" to see whether there has been any alteration from those of previous years. At most examinations specially ruled paper is supplied to each candidate, and the time allowed for the working of the paper is usually three hours. **Do not** read through the *whole* of the paper at the beginning, as this is liable to lead to mental confusion, and sometimes to dismay. Avoid reading any *optional* questions, and at once commence answering one which is *compulsory*. Most papers consist of questions

and exercises, the latter being always compulsory. **Read through** *each* exercise or question before commencing its solution, and if necessary read it several times in order to thoroughly *grasp* its precise meaning. Always work the easier exercise first, and thus make sure of a "pass." In the S. of A. Grade II., exercise 2 should be disposed of at once, as its successful working affords some degree of confidence in the remainder of the work.

222. Most examiners now require **practical** expositions in preference to the antiquated method of journalising every transaction. In Stage II. of the Society of Arts, Exercise 1 should always be worked so as to display a knowledge of **modern business methods,** and the greatest practical skill in the setting out of the various transactions. Whenever possible the *columnar* or *tabular* system of Book-keeping should be employed, even where there is only one item for each column. The exercise must be worked as though the candidate were actually engaged entering up the various books at the office desk; separate accounts being kept for purchases, sales, returns, carriage, wages, salaries, discount, interest, insurance, rates and taxes, stationery, partners' drawings, &c., *no* P. & L. A/c. being opened. Trial Balances should be composed of *balances* in preference to totals.

223. In **preparing Trading** and **Profit & Loss A/cs.,** care must be taken to distinguish between the items which should appear in each; while the classification or grouping of the items, both in the accounts and in the B/S. must receive attention. A mere list of Profit and Loss items and Assets and Liabilities is not sufficient; they should be displayed and grouped in a businesslike manner, and for this purpose the **sheets** sold by the **author** of this textbook, at 6d. per set, will be found very helpful. Study pages 215 to 221 and 243. When the exercise is in the form of a T.B. first of all check the casting and when not in such form prepare a T.B., as it facilitates the work.

224. While one is familiar with the ordinary **Trial Balance,** followed or preceded by the usual adjustment items and stock, the candidate must nevertheless be on

the alert against unusual methods of stating facts. Sometimes the *final* Stock is given as a "Dr. Balance," having first been deducted from the Purchases. Under "Credit Balances" there may be "**Stock A/c.** £2160;" thereby indicating that a separate a/c. has been kept, showing on the *Dr. side*, opening Stock and Purchases (less returns) and on the *Cr. side*, Sales (less returns) and Final Stock. The *Cr. balance* of the Stock A/c. would, of course, require crediting to the Trading or P. & L. A/c. but the *final* Stock, having already been deducted, must only appear in the B/S.

Dr. **STOCK A/c.** **Cr.**

1908		£	1908		£
Jan. 1	To Stock b/f.....	2000	Dec. 31	By Sales.....	6000
Dec. 31	,, Purchases	5000	,, ,,	,, Stock c/f	3160
,, ,,	,, *Balance carried to Trading A/c.*	2160			
		£ 9160			£ 9160

225. Occasionally, the **Bad Debts** are stated among the adjustment entries, instead of being included in the T.B., and when this is the case it is clear that the amount of the Bad Debts has not been credited to the Sundry Debtors, consequently the Bad Debts not only require debiting to the P. & L. A/c., but must also be *deducted* from the total of Sundry Debtors.

226. Be at your place in the **examination room** at least ten minutes before the time, so as to hear the regulations read, and fill up the necessary form containing name, age, institution, &c. To rush into the room on the stroke of time interferes with that self-possession and calmness which is so necessary to success.

227. Criticisms of **examination papers** and of the peculiarities of examiners should be addressed to the examiners concerned, and not to the author of this work, who *cannot* reply to communications relative to the composition of papers over which he has no control.

Exercise 53 (*Society of Arts. 1898*).

A. Give a list of the books required for keeping the accounts of a Merchant's business and briefly describe the use of one of them.

B. Explain what is meant by :—Personal A/c., Impersonal A/c., Reconciliation Statement, Suspense A/c

C. Messrs. Black & White are partners upon the following terms :—(1) To receive 5% int. upon their respective Partnership Cap., with yearly rests. (2) To receive as Partnership salaries . Black, £50 per month ; White, £20 per month ; and to withdraw no further sums pending ascertainment of profits. (3) Depreciation at 10% to be written off Plant and Machinery as standing in the books at the end of the year. (4) Provision at 5% (for doubtful debts) to be reserved upon all Book Debts, excepting B/R. (5) The net Profit or Loss to be shared thus :—Black, two-thirds ; White, one-third. On 30th Nov., 1897, the following was the Trial Bal.

Dr. Balances-	
Black's Salary A/c.	£550
White's Salary A/c.	220
Purchases	25462
Investments (Consols at Cost)	1230
Wages	3841
John Jones & Son	3426
Jas. Smith & Co.	7139
William Owen	3636
Legal Expenses	14
Cash	10
Bank	1205
Freehold Property	20641
Machinery and Plant	5440
Bills Receivable	502
Managers' & Clerks' Salaries	945
Dr. Balances continued—	
Office Expenses	£108
Discount	214
Stock (1st Jan., 1897)	3842
Rent (11 months)	660
Cr. Balances—	
Alb. Black (Cap. A/c. as on 1st Jan., 1897)	4200
Benj. White, ditto	1500
Dividends on Consols recd.	30
Bills Payable	3815
Sales	48561
Roberts Bros.	8243
Robinson & Co.	5768
J. Green & Son	6968

Open the A/cs. necessary to record the above particulars in the books and post the undermentioned transactions. (*Key next page*).

Dec. 2.	Purchased from Robert Bros., on credit	£7841
,, 8.	Paid Rates	141
,, 9.	Pd. Robinson & Co (after deducting dis. £12)	240
,, 10.	Paid Bill No. 48 (123)	100
,, 11.	Recd. from J. Smith & Co. (less dis. £42)	948
	Sold Wm. Owen (on credit)	1000
,, 15.	Purchased from J. Green & Sons (on credit)	3421
,, 16.	Bought gas engine from London Gas Engine Co. (on credit)	350
,, 17.	Paid wages, £442, (Dec. 21) Paid taxes	21
,, 24.	Paid premiums on fire policy for year ending 25th December, 1898 (157)	105
,, 30.	Received for sale of consols (83)	1200
,, 31.	Paid official salaries	360
	Paid office expenses £20, Paid wages	440
	Sold James Smith & Co., (on credit)	1049

All the above payments were made by cheque, and all amounts recd. were paid into the bank upon receipt. The **stock** on 31st Dec., 1897, was worth £3400 The outstanding rent owing to Benjamin & Lewis for Dec. (£60), and the partners' drawings for the same month (under clause 2), must be provided for. After making adjustments provided for under the clauses of the partnership deed set out above, bal. books and prepare T.B. Make closing entries raising a Trading and P. & L. A/c. Divide Net profits between partners (under clause 5), and prepare B/S.

(Ex. 53.)

Trading A/c.

Dr. for Year ended 31st December, 1897. **Cr.**

	£		£
To Stock, 1st January, 1897	3842	By Sales	50610
,, Purchases	36724	,, *Stock, 31st December*	3400
,, Wages	4723		
,, *Gross Profit*	8721		
	£54010		£54010

Profit and Loss A/c.

Dr. for Year ended 31st December, 1897. **Cr.**

	£		£
To Rent	720	By Gross Profit from Trading A/c.	8721
,, Rates and Taxes	162	,, Discount received	12
,, Office Expenses	128		
,, Insurance	2		
,, Legal Expenses	14		
,, Discount allowed	256		
,, Salaries	1305		
,, Partners' Salaries	840		
,, Depreciation	579		
,, Reserve for Doubtful Debts	763		
,, Interest on Capital	285		
,, *Balance c/d*	3679		
	£8733		£8733
To Loss on Consols	30	By Balance b/d	3679
,, *Net Profit for year* :—		,, Dividend	30
A. Black $\frac{2}{3}$rds £2452 13 4			
B. White $\frac{1}{3}$rd 1226 6 8			
	3679		
	£3709		£3709

Balance Sheet of Black & White on 31st December, 1897.

Liabilities.	£	£	Assets.	£	£
SUNDRY CREDITORS :—			Cash in hand	10	
On Bills Payable	3715		Cash in Bank	1484	
On Open A/cs. :—					1494
Roberts Bros. £16084			Sundry Debtors :—		
Robinson & Co. 5516			On Bills Receivab'e		502
J. Green & Son 10389			On Open A/cs :—		
London Gas Engine Co. 350			J. Jones & Son	3426	
Benjamin & Lewis 60			J. Smith & Co.	7198	
	82399		Wm. Owen	4636	
A. Black, Salary A/c. ... 50				15260	
B. White, Salary A/c. ... 20			*Less* Reserve for Doubtful Debts	763	
	70				14497
CAPITAL :—			Stock		3400
A. Black, 1st Dec. .. £4200 - -			Machinery & Plant	5790	
Add Int. on Cap. 210 - -			*Less* Depreciation	579	
Add $\frac{2}{3}$rds of Profits 2452 13 4					5211
6862 13 4		9664	Freehold Property		20641
B. White, 1st Dec.... 1500 - -			Fire Insurance prepaid		103
Add Int. on Cap... 75 - -					
Add $\frac{1}{3}$rd of Profits 1226 6 8					
2801 6 8					
	£45848				£45848

Exercise 54 (*Society of Arts, 1899*).

Q. 1. What position does the cash-book take in a set of merchant's books based upon "double entry." Of what use can it be made in addition to the simple recording of cash received and cash paid, and to what book or books should the items in a cash-book be posted? **Q. 2.** What is the difference between a "Bill Receivable" and a "Bill Payable?" Is there any difference in form; if so, what? By whom is a B/P. to be paid, the drawer or the acceptor?

Ex. 1. Record the following transactions in Peter Brown's books, and extract a T/B. as on Feb. 12, 1899 :—

Jan. 1. Peter Brown opened a Bank A/c. by paying in cash £5000, and on the same day purchased from the Liquidator of the Blast Furnace Co., Ltd. (in liquidation) the Freehold land and buildings (£2000), Plant and Machinery (£1500) and Loose Tools and Stock (£1000) of the Company—together £4500, which he pd. by cheq. upon the above a/c.
,, 2. Bought from Richd. Jones, 500 tons of Northamptonshire Iron Ore @ 8/- a ton delivered. Terms :—one month's credit and 2½% dis. for cash.
,, 3. Bought from R. Jones, 300 tons of South Yorkshire Coke @ 10/- per ton at the pit mouth. Terms :—net, 4 mos. Bill, which Brown accepted. Carriage £5.
,, 3. Paid Wages, £25.
,, 4. Sold Robert Black 100 tons of No. 3 Foundry Iron @ 45/- a ton at the works, and 24 tons of No. 1 @ 50/- a ton, to be paid for on the 10th of the following month, with a cash discount of 1¼%. Carr. paid on £10.
,, 4. Drew a cheque for cash purposes for £25.
,, 5. Sold R. Black 52 tons 10 cwts. No. 4 Forge Pig Iron @ 40s. per ton at the works, and 10 tons of Silvery Iron at 30s. a ton. Terms cash, 10th of the following month with 2½% dis. Carr. paid on £10.
,, 6. Recd. from R. Black 20 tons of No. 3 Foundry Iron, sold on the 4th inst., not being equal to sample. Carr. £1.
,, 10. Paid Wages, £100.
,, 31. Paid Sundry Office Exs., cash £10. Paid Salaries £25.
Feb. 1. Paid Carriage A/c. £19. Feb. 2. Paid R. Jones, £195.
,, 10. Received from R. Black £246, and on Feb. 12, £127.
,, 12. Drew for private purposes £45.

All payments (unless otherwise stated) made by cheque and all moneys recd. paid into bank. "Wages," "Salaries," and "Office Exs." are to be posted to the same a/c., viz., "Trade Charges."

Ex. 2. Prepare Trading, P/L. A/cs., and B/S. from the following T.B. of Geo. Green and Jas. Gold's books taken 31st Dec., 1898. Profits are divided equally. The **stock** in hand on

31st Dec., 1898, was £3000. You have to provide for 10% depreciation upon the plant, and reserve 5% provision upon the outstanding A/cs. for Doubtful Debts. Credit partners with 5% int. upon cap.

Dr. Balances—	
Green's Withdrawals (including interest)	£525
Gold's do.	465
Purchases	17778
Investments	750
Wages A/c.	1278
Sundry Debtors	8220
Rent A/c.	520
Law Charges	75
Cash	40
Bank	430
Freehold Property	8000

Dr. Balances continued—	
Plant	£3240
Salaries	864
Office Exs.	223
Repairs	310
Discounts	824
Cr. Balances—	
Sundry Creditors	2300
Green's Cap. 1st Jan.	9240
Gold's Cap. 1st Jan.	8160
Dividends A/c.	22
Sales	23820

Answer.—*Gross Profit* £7764 ; *Net Profit* £3365 ; *Bal. of Green's Cap.* £10,859 10 -, *Gold's Cap.* £9785 10 -, *Total B/S.* £22,945.

Exercise 55. (*Society of Arts, 1900.*)

Q. 1. Explain the terms "Balance down," "Trial Balance" and "Balance Sheet." What is the chief difference between the last two? Do the words "Balance down," closing the debit side of an a/c. mean that the a/c. is in debit or in credit? **Q. 2.** What books should you recommend a shopkeeper, doing a cash business only, to keep? What difference would it make in your recommendation should he decide to sell upon credit?

Ex. 1. John Smith commenced business as a Colonial merchant on 1st Jan., 1900. Pass the necessary entries through the proper books to the ledger and extract a T.B. Unless otherwise stated, all moneys received and paid were passed through the Bank.

Jan. 1. Opened an a/c. with bankers by paying in £2000.
Purchased office furniture and stationery for £110.

„ 2. Purchased from Paul & Co., commission agents, 2 gross boxes of pens @ 10/- per doz. boxes net ; 3 cases of 100 each, cycle lamps @ £12 per doz. (trade dis. 25%) ; and 12 gross electro-plated table spoons @ 60/- per doz. (less trade dis. 50%).
Gave Paul & Co. a 3 mos. bill for the amount of the inv.
Consigned the whole purchase to his agent in Canada, paying shipping chgs. £8 2 6, and marine insce. £3 5 6.

„ 4. Drew cheq. for petty cash, £10, and opened P.C.B.

„ 5. Made the following cash sales of goods recd. on consignment from Black & Co., of Ceylon, viz. :—20 chests of Tea @ £4 15 6 a chest ; 30 packages of coffee @ 60/- a package ; and 10 bags of Cocoa @ 30/- a bag. Recd. and banked the cash. Deducting 1% comm., sent Black and Co. cheq. for bal.

„ 8. Drew cheq. for private purposes, £50.

„ 12. Paid sundry trade exs., £4 8 8, from P.C.

Jan. 16. Paid other trade charges £25.
„ 20. Bought for cash at auction a stock of cycles for £200.
„ 22. Sold Paul & Co. 10 cycles at £6 ea., with 1 month's credit.
„ 23. Sold Paul & Co. 12 cycles @ £6 ea., with 5% cash dis. Recd. net cash.
„ 29. Recd. cash (by cable) from his Canadian agt. £490, being proceeds of the sales of the cycle lamps and spoons, consigned on 2nd inst. (pens unsold), less £10 his comm.
„ 31. Paid from P.C., month's salaries (trade charges) £4.

Ex. 2. Joseph Jones & Bruce Brown are partners in a manufacturing business. They share profits and losses equally, and have agreed that 5% int. shall be credited upon their respective cap. from profits prior to division thereof. Plant a/c. is to be depreciated by 10% per annum and a provision of 5% created for bad and doubtful debts. On 31st Dec., 1899, **stock** was valued (at cost) £4000. Make the necessary closing entries, and raise Trading, P/L. a/cs. and B/S., the partners' cap a/cs. being shown in detail in the B/S.

Dr. Balances—	
Stock	£3800
Purchases	12850
Sundry Debtors	14840
Trade Expenses	475
Office Expenses	95
Plant	1050
Discounts	120
Salaries	473
Rent, Rates, and Taxes	382
Buildings	5250
Repairs	98
Wages	2480

Dr Balances continued	
Jones' Drawings (including int.)	£832
Brown's „	500
Bank	945
Cash	10
Cr. Balances.	
Jones' Cap. A/c. 1st Jan.	8000
Brown's Cap. do.	2000
Res. for Doubtful Debts	450
Sundry Creditors	10950
Sales	22800

Answer.—*Gross Profit* £7670, *Net Profit* £5130, *Bal. of Jones' Cap.* £10,133, *Brown's Cap.* £4165, *Total of B/S.* £25248.

Exercise 56. (*Society of Arts, 1901.*)

Q. 1. Explain the terms "Royalty," "Dormant Partner," "Lien," "Set-off," and "Crossed Cheque." **Q. 2.** Rule a page of the Petty Cash Book suitable for a Firm whose business is divided into three Departments. Wages, Carriage, Postages, and Sundry Petty Expenses are all paid by them out of P.C.

Ex. 1. Thomas Flint bought, on 1st Jan., 1901, from the trustee of Samuel Crystal, a bankrupt, his business as haberdasher and silk mercer, paying him immediately £400 for the stock, and £50 16 6 for furniture and fixtures (taken at a valuation) and nothing for goodwill, while the trustee kept and collected the book debts. Flint brought into the concern, as working capital £549 3 6. He opened the usual set of books, using his Cash Book for recording all receipts and payments which were through his Bankers: while he kept a Petty Cash Book recording the payment of wages and sundry exs. connected with the carrying on of his business. Pass the

above and the following transactions through the proper books to the Ledger, and extract a T.B. as on 31st Jan.

Jan. 1. Drew and cashed Cheque for Petty Cash £10.
,, 3. Bought of Abel Smith 455 yds. velvet @ 9s. 6d. a yd., and 996 yds. black silk @ 5s. 3d. a yd. Accepted Smith's Bill at 6 mos. for the amt. of the Invoice plus int. @ 5% per ann. for the accommodation.
,, 4. Bought 6 seats for his girl assistants @ 10s. each, and a new counter costing £27, and paid for same net.
,, 6. Bought of Adam Jones 9 pieces, of 64 yds. each, Irish Linen @ 2s. 2d. a yd.; 2½% cash dis. being allowed for payment within 14 days.
,, 7. Paid his Accountant £24 3s. 6d. for examining the books of S. Crystal, and negotiating purchase with Trustee.
,, 8. Recd. from his principal assistant, Obsequious Mute, £50, as a loan at 5% per ann. int., plus 7½% of the profits.
,, 10. Sold Mrs. White 16 yds. velvet @ 12s. 6d. a yd.; 33 yds. Irish Linen @ 2s. 6d. a yard ; 2 Victoria felt underskirts @ 10s. 6d. each ; 12 yds. black silk @ 6s. 6d. a yd.; and 6 yds. purple silk @ 9d. a yd. The total purchase was to be paid for not later than 6th Feb. ; 5% per ann. being charged on overdue a/cs., while 1½% dis. was to be allowed if paid within 7 days.
,, 11. Pd. his lawyer for exs. connected with purchase of the business £10 6s. 8d.
,, 12. Pd. from Petty Cash, postage of circulars £3, and sundry shop exs. £2 12s. 6d.
,, 13. Recd. from Mrs. White payment of goods invoiced 10th.
,, 16. Pd. Adam Jones as per invoice of the 6th inst.
,, 22. Sold Mrs. White (for a friend) a repeat order of the 10th inst., but for half the quantity of each item, and upon the same terms.
,, 22. Sold Mrs. White (for another friend) a repeat order as to qualities and prices of the 10th, but the goods being soiled or imperfect, a trade dis. of 15% was allowed.
,, 31. Drew and cashed cheque for wages for the month £20 3s. 9d.
Drew cheque £20 (as against profits) for private purposes.
Recd. for the month (as per Till book) £103 12s. 6d., being Cash Sales.

Ex. 2. Rd. Red and Wm. White entered into partnership on 1st Jan., 1900. It was agreed that int. on Partnership Cap. at 5% per ann. should be a charge upon profits prior to division; that Plant should be depreciated by 10% per ann., and a provision of 5% made from Sundry Debtors as against Doubtful Debts. Profits or Losses were to be shared thus : R. Red ⅔, and W. White ⅓. Value of **stock** £5200. Prepare Trading A/c., P/L. A/c. and B/S. apportioning the profits and showing the Partners' Cap. A/cs. in detail in the B/S. on 31st Dec., 1900.

Dr. Balances—	
Repairs	£104
Purchases	6920
White's Drawings A/c.	500
Red's Do.	800
Law Costs	27
Audit Fees	25
Stock	3800
Insurance	32
Bad Debts	78
Salaries	500
Office Expenses	30
Commission	41
Carriage	121
Goodwill	3000
Dr. Balances continued—	
Wages	£2140
Interest on Loan	250
Cash	12
Bank	880
Rent, Rates and Taxes	356
Plant	4200
Sundry Debtors	8000
Cr. Balances—	
Red's Cap., January 1	5000
White's Cap. Do.	1200
Sundry Creditors	5564
Sales	15000
Discount	32
Loan	5000

Answer.—*Gross Profit* £7219 ; *Net Profit* £4678 ; *Balance of Cap.*: *R. Red.* £7568 13 4, *W. White* £2319 6 8, *Total B/S.* £20452.

Exercise 57. (*Society of Arts, 1902.*)

Q. 1. What is meant by a "Reconciliation Statement."? Give an example, showing your meaning fully. **Q. 2.** What is the nature and use of the "Journal," and in what way has the former use of it in a merchant's office been superseded by modern practice?

Ex. 1. Wm. Smith, Cigar Merchant, on Jan. 1, 1902, had the following *assets* :—Cash at Bank £179 13 4, Jas. Jones £24 16, Ben Brown £57 8 10 (both debtors for goods) and Stock £240. *Liability* : Robt. Robinson (creditor for goods) £101 18 2. Jas. Jones had been adjudicated a bankrupt, and his debt was estimated to realise 10s. in the £. Open a/cs. in Smith's Ledger showing his position as on Jan. 1, pass transactions through the necessary books to the Ledger ; take out T.B. as on 31st Jan. *All receipts and payments through the Bank.*

Jan. 1. Received B. Brown's cheque in settlement of his a/c.
,, 3. Bought from Robt. Robinson 5000 cigars at 22s. 6d. a 100, less 5% for cash in 7 days.
,, 4. Sold R. Robinson 3500 cigars at 21s. a 100 net. Gave him cheque in settlement of his a/c.
,, 5. Recd. from James Jones' Trustee in Bankruptcy a first and final dividend of 5s. in the £.
,, 10. Sold B. Brown 3000 cigars at 18s. 6d. a 100. Terms :—cash, less $2\frac{1}{2}\%$ in 7 days.
,, 13. Recd. Loan of £200 from Arthur Lender, and gave him in exchange a P/N. at 6 mos. for £205.
,, 14. B. Brown returned 1000 cigars sold him on the 10th inst., as they were not in good condition.
,, 16. Recd. from B. Brown, a cheque in settlement of his a/c.
,, 20. Paid a/c. for office stationery, £10 3s. 6d.
,, 25. Drew cheque for private purposes £20.
,, 31. Paid office salaries £25.

Ex. 2. Baden Brown and Jonas Jones are in partnership under the style of "Brown, Jones & Co." They represent several Berlin manufacturers and sell their goods on commission. All sales are

made from samples and they keep **no stock.** Prior to division of profits, which are shared equally, the following adjustments have to be made :—(*a*) Each partner is entitled to 5% per ann. int. upon his cap. (*b*) Depreciation at 10% per ann. has to be written off the Furniture & Fittings A/c. (*c*) An instalment of £100 per ann. has to be written off the Premium on Lease A/c. (*d*) Provision at the rate of 5% has to be reserved for doubtful debts.

Prepare Trading A/c., P/L. A/c. and B/S., on 31st Dec., 1901 :—

Dr. Balances—	
Salaries	£880
Packer's Wages	438
Rent, Rates and Taxes	628
Commissions allowed	371
Discounts	16
Trade Exs.	308
Travelling Exs.	317
Law Charges	29
Bad Debts	184
Sundry Debtors	700
Insurance	19
Office Exs.	64

Dr. Balances continued—	
Bank	£1854
Cash	16
Brown's Drawings	1250
Jones' Drawings	850
Premium on Lease	800
Furniture and Fittings	550
Cr. Balances—	
Brown's Cap., 8th Jan.	1500
Jones' Cap., 8th Jan.	500
Commission earned	6842
Sundry Creditors	432

Answer.—*Net Profit*, £3298 ; *Bal. of Cap.*, Brown, £1974 ; *Jones*, £1324 ; *Total of B/S.*, £3730.

Exercise 58. (*Society of Arts, 1903*).

Q. 1. Explain these terms in connection with cheques "endorsed," "dishonoured," "not negotiable," "refer to drawer," "forged."

Q. 2. Sketch rulings for a "Purchases Book," suitable for a wholesale provision merchant, and explain its advantages.

Ex. 2. John Barleycorn purchased the Holly Tree Inn freehold premises, together with furniture, fittings, wines and spirits, provisions, &c., therein, and commenced business on Dec. 1, 1902, as Hotel Proprietor. His capital consisted of £8000 at the Town Bank, Ltd. Pass transactions through proper books to Ledger ; balance ; bring down balances and make T/B. *All receipts and payments through the Bank, except where stated otherwise.*

Dec. 1.—Executed conveyance of the freehold property, for which he paid £4000.
Drew and cashed cheque (for petty cash) £50.
,, 3. Paid £950 for furniture and fittings, £600 for stock of wines and spirits, and £80 for stock of provisions, as per agreed valuation.
,, 4. Bought provisions from James Bacon (on credit) for £121 5s.
,, 5. Bought groceries for £3 9s. 6d. (petty cash).
,, 8. Bought cigars from John Wilkinson (on credit) for £48 10s.
Paid servants' wages £10 10s. 6d. (petty cash).
,, 10. Banked £29 1s. 6d. rec. from visitors, and £38 1s. 9d. Bar and Billiard Room Receipts.
,, 15. Paid servants' wages £10 10s. 6d. (petty cash).
,, 17. Sent J. Bacon cheque in settlement of a/c., less 5% dis. allowed. Banked £41 8s. 4d. recd. from visitors, and £49 10s. from Bar and Billiard Room.

Dec. 18. Paid Poor Rate, £12 8s.
,, 19. Changed a visitor's £10 cheque and paid same into Bank.
,, 22. Bought on Credit two carpets of Turkey & Co. for £24.
Paid servant's wages £10 10s. 6d. (petty cash).
,, 23. Gave J. Wilkinson cheque in settlement, less 10% dis.
Drew and cashed cheque (for petty cash) £25.
Withdrew £25 from Bank for private purposes.
Distributed £10 (petty cash) as Christmas Boxes.
,, 24. Banked £63 2s. 3d. rec. from visitors, and £65 2s. 6d. from Bar and Billiard Room.
Bought from Phiz & Co., a case of 3 doz. champagne at 70s. per doz. (on credit).
Sold on credit wines and cigars to Geo. Ash for £10 10s.
,, 29. Paid servants' wages £10 10s. 6d. (petty cash).
,, 30. Rec. cheque from G. Ash, in settlement, less 5% dis.
,, 31. Banked £45 3s rec. from visitors, and £70 4s. 2d. from Bar and Billiard Room.
Returned one carpet (£10) to Turkey & Co., not in order.
Paid manager's salary, £10.

Ex. 2. Messrs. Seth Serge and Chas. Cheviot are in partnership as cloth manufacturers. Profits and losses are to be shared equally. The profits of the business, prior to division, are subject to the following adjustments:—(1) Interest on partners' capital at 5% per ann. (2) Annual depreciation on machinery and plant at 10% and on fixtures and fittings at 5%. (3) Provision for bad and doubtful debts at 5%. (4) Provision for a half-year's int. on mortgage at 5% per ann. to Dec. 31. (5) 10% of the net profit (if any) to be carried to the Reserve Fund. **Stock** on Dec. 31, 1902, agreed at £29,450. Prepare Trading A/c., P/L. A/c., and B/S.

Dr. Balances—	
Machinery and Plant	£12000
Freehold Premises	26200
Fixtures and Fittings	7200
Wages	15860
Purchases	62077
Cash	940
Stock (1st Jan., 1902)	21820
Salaries	1100
Carriage	2132
Rates and Taxes	502
Insurance	382
Office Expenses	208
General Trade Exs.	2080
Repairs	674

Dr. Balances continued—	
Interest on Mortgage	£225
Serge's Drawings with Int.	3585
Cheviot's do.	2965
Sundry Debtors	17020
Cr. Balances—	
Serge's Cap. 1st Jan.	20000
Cheviot's Cap. do.	18000
Sundry Creditors	27600
B/P.	4800
Reserve A/c.	2100
Mortgage on Premises	9000
Sales	90460
Bankers	4874
Interest and Discounts	86

Answer.—*Gross Profit* £18,021; *Net Profit* £8400; *Bal. of Cap.*: *Serge* £21,245, *Cheviot* £19,715, *Total of B/S.* £90,399.

Exercise 59. (*Society of Arts, 1904.*)

Q. 1. John Jones owed W. Smith £50. Jones failed; and his estate realised a first and final dividend of 7/6 in the £. What is meant by a "first and final dividend"? What did Smith receive: and what entries would you expect to find in his books?

Q. 2, The following crossings appeared upon cheques received by George Smith. What do they respectively mean? Which do you prefer, or what other would you recommend, and why? (& Co.); (a/c. payee); (Blank Bank, Ltd., a/c. John Smith).

Ex. 1. John Shaw having opened an a/c. with The Dales Bank, Ltd., by paying in £4200 to his credit, on 12th Oct., 1903, purchased (by cheque) the following day, the Duchess Slate Quarry from W. Black, the purchase price (after valuation) being:—Freehold Land and Quarry, £2350; Stock of Slates, £300; and Machinery, Plant, Tools, &c., £350. *All receipts through Bank, and (except where stated) all payments by cheque.* Pass the above and the following transactions through the proper books to the Ledger: balance the a/cs.: bring down the balances and extract a T.B.

Oct. 14. Drew and cashed cheque (for petty cash) for £20.
,, 16. Bought Machinery from Gray & Co. for £45. Gave them his acceptance at 1 month, which was honoured.
,, 19. Sold G. Hill 3500 slates at £7 8s. per 1000.
Bot. 2 cwt. drills from Sheffield Steel Co. at £20 ton.
,, 21. Paid Rates £6 10s. 4d.
,, 23. Sold Parker & Co. 1600 slates at £7 4s. 2d. per 1000.
,, 24. Drew cheque £73 7s. 9d. for wages, and paid the same.
Banked cash received for cartage, £4 2s. 6d.
,, 27. Made G. Hill an allowance for 250 broken slates (invoiced Oct. 19), made a claim upon the Ry. Co. for amt.
,, 28. Rec. cheque from G. Hill in settlement of a/c., less 5% dis.
Bot. 3 tons rails at £5 a ton from Rotherham Forge Co.
,, 29. Sold Parker & Co. 1500 slates at £7 4s. per 1000.
,, 31. Sold D. Green 4200 slates at £8 3s. 4d. per 1000.
Drew cheque and cashed same (for Petty Cash) for £11 15s. 4d., the Petty Cash being kept upon the "Imprest" system.
Paid Manager's Salary for the month, £30.
Drew cheque £68 3s. 7d. for wages, and paid the same.
Nov. 5. Received cheque £10 from Parker & Co. (on account).
Bought oil and other stores from Slippery & Co. for £4 10s.
,, 6. Paid Sharp & Co. cheque £21 for legal charges.
,, 7. Parker & Co.'s cheque for £10 returned by the bankers dishonoured, the bank charges being 1s.
Drew cheque £70 8s. 4d. for wages, and paid the same.
Banked cash received for cartage, £7 14s.
Bought 10 cwt. blasting powder at £5 a ton from Dynamite & Co., Ltd.
,, 10. Rec. cheque from Parker & Co. for £10 (on a/c.)
,, 16. Bought timber from D. Green for £16.
,, 19. Rec. cheq. from Ry. Co. for full claim made Oct. 27.
,, 21. Drew cheque for self for private purposes £20, and cashed.
Drew cheque £62 17s. 6d. for wages and paid same.

Ex. 2. Messrs. Blank Sons & Co., Joinery Manufacturers, register themselves as a Limited Company (under the Companies' Acts), on Jan. 1, 1903, with a Nominal Cap. of £60,000 divided into 60,000 shares of £1 each; and issue 50,000 shares, which are fully subscribed and paid. Adjustments (1) Depreciation of Machinery and Plant @ 10%; (2) Provision for Bad and Doubtful Debts @ 5%; (3) £50 of Fire Insurance Premium to be c/f. to next year. **Stock** on Dec. 31, 1903, £12,826. Prepare Tradg., P. & L. A/c., B/S.

Dr. Balances—	
Freehold Land and Buildings...	£12100
Sundry Debtors	26420
Stock, 1st January, 1903	16420
Cash at Bankers	3105
Wages A/c.	14214
Salaries A/c.	920
Fire Insurance.....	126
Trade Expenses	1340
Bad Debts written off	125
Machinery and Plant	20400
Cash in hand	90

Dr. Balances continued—	
Purchases A/c.	£24800
Carriage A/c.....	4900
Rates and Taxes	140
Directors' Fees.....	500
Cr. Balances—	
Doubtful Debts Reserve	500
Capital A/c.	50000
Sales A/c.	62100
Sundry Creditors.....	11000
Reserve A/c	2000

Answer.—*Gross Profit* £14592; *Net* £8630; *Total B/S.* £71630.

Exercise 60, (*Society of Arts, 1905.*)

Q. 1. Hy. Johnson, Provision Merchant, holds two B/R., one being for six mos. £100 accepted June 30, 1904, by Geo. Jenkins, and the other for five mos. £90, accepted June 18, 1904, by Alfred Smith. Give a sketch of a suitable B/R. Book for Hy. Johnson and enter the above bills therein. Alfred Smith failed to honour the Bill accepted by him. What entries does such default necessitate in Hy. Johnson's books? **Q. 2.** A firm of Drapers, whose head office is in London, has three retail branches in the Provinces. State what weekly returns you would expect from the branches, and how you would deal with such returns in the books of the head office.

Ex. 1. Austin Brown, whose capital consisted of £2500 in the Assets Bank, Ltd., commenced business on Feb. 1, 1904, by opening stores for the sale of tea and coffee; having adapted the front room of his house (his own freehold) for use as a shop, by an outlay of £200, and expended £50 in furniture and fittings. Paid both items by cheque on Feb. 1. *All receipts and payments through Bank* unless otherwise stated. Pass the above and following transactions through the proper books to the Ledger; balance the a/cs. as on Feb. 18; bring down the balances and extract a T.B.

Feb. 2. Drew cheque for £10 for Petty Cash.
,, 3. Bought from F. Thompson & Co., 8 chest of China tea for £43 4s., and paid Government duty £2 12s. 6d.
,, 4. Purchased coffee-roasting machine from Machine Supply Co., £38 10s.
,, 5. Sold 1 chest tea to A. James & Co., £6, dis. 2½% one mo.
Purchased from G. Mager 1 cwt. coffee at 87/6 per cwt., and 1½ cwt. do. at 92/- per cwt.
Purchased from R. Phillips 2 cwts. of coffee at 81/3 per cwt.

Feb. 6. Bought for cash stationery, string, &c., £6 4s. 2d.
,, 7. Drew cheque for £12 10s. for Rates.
,, 8. Paid Income Tax (Schedule A) at 1/- in the £, and House Duty at 9d. in the £, the annual value of house and shop being assessed at £120.
,, 9. Bought from Ceylon Tea Co. 3 chests of tea at £4 16s. per chest, duty paid.
,, 10. Cash Sales for the week amounted to £7 3s. 4d.
Ordered Advertisements in Geo. Smith's Time-Tables to the amount of £7 10s.
Drew cheques for wages, £3 4s. 6d., for P.C. £6 4s. 2d.
,, 12. Finding that roasting machine was unsuitable, sold it for £33 cash; purchased larger one from M. S. Co., £64.
,, 13. Paid Machine Supply Co. for first machine less 5% cash dis.
,, 14. Sold Royal Tea Co. 56 lbs. "A.B's special blend" @ 2/-.
Recd. cheq. from James & Co. in settlement less 2½% dis.
,, 15. Purchased 2 bales of Mocha coffee at 192/- per bale from the Coffee Syndicate, Ltd., and gave them acceptance at 1 month for amount of invoice.
,, 16. Paid from P.C. fine of 40/- and 5/- costs for inaccurate scales.
Sold G. Mager one cwt. of "A.B's pure Coffee," at 94/-.
Paid G. Smith one-half of the advertisement.
,, 17. Drew cheque for £3 4s. 6d. for wages.
Cash sales for the week amounted to £11 16s. 2d.
,, 18. Drew cheque for £10 for private purposes.

Ex. 2. Messrs. Alfred Brown and George Robinson are in partnership as cigarette manufacturers, profits and losses shared equally. (1) Int. allowed on partners' capital at 5% per ann. (2) Annual depreciation provided on machinery and plant at 10%, and on fixtures and fittings at 5%. Provision made for bad and doubtful debts at 5%. (4) A reserve of £50 made for the Auditor's fee. The **stock** in hand on Dec. 31, 1904, valued at £6320. Prepare Trading A/c., P. & L. A/c. and B/S.

Dr. Balances—	
Brown's drawings with int.	£600
Robinson's do.	400
Sundry Debtors	5140
Plant and Machinery	2860
Fixtures and Fittings	680
Goodwill A/c.	500
Stock A/c. 1st Jan.	6720
Cash in hand	18
Cash at Bank	1252
Purchases with Gov. Duty	19087
Manufacturing Wages	3402
Salaries	950
Licenses and Insurance	54
Returns from Customers	822
Carr. and Export Charges	210
Dr. Balances continued—	
Commission & Traveller's Exs.	£130
Rent, Rates and Taxes	200
Gas and Water A/c.	41
Int. and Dis. A/c.	100
Trade Expenses	251
Income Tax Sch. D.	42
Bad and Doubtful Debts	402
Cr. Balances—	
Brown's Cap., 1st Jan.	2100
Robinson's Cap. do.	1200
Sundry Creditors	4302
B/P.	4380
Loan A/c	2000
Sales	28895
Tobacco Returns to Crs.	184

Answer.—*Gross Profit* £5368; *Net Profit* £2231; *Bal. of Cap.*; *Brown* £3035 10; *Robinson* £1975 10, *Total B/S.* £15,743.

Exercise 61. (*Society of Arts, 1906*).

Q. 1. Henry Barrows keeps his books upon the double entry system. At the periodical stocktaking his book-keeper extracts a T.B., and, after adjusting some errors, finds that the total of the debit balances equals the total of the credit balances. Is this agreement an absolute proof that the books are correct in every respect and that no further errors exist? Give reasons for your answer. What further tests, if any, would you apply? **Q. 2.** Submit rulings for a Cash Book suitable for a professional man, who keeps no Petty Cash Book but passes both cash and cheque receipts and payments through the same C.B. Make three entries on the debit side and six on the credit side. Close and rule off.

Ex. 1. On Jan. 1, 1906, John Smith's **Assets** were :—Stock £342 4 7; Freehold Property £1000; Furniture and Fittings £92 10 4; Cash at Bank £25 8 9; in hand £19 5 2; owing by John Bell £38 10 0; E. Walters £26 2 3; Black & Co. £169 10 0. **Liabilities :**—To A. Brown & Co., Ltd., £64 2 0; W. White & Son £226 7 1; B/P. £60; Loan due to G. Robinson £50. Open Ledger, showing position as on Jan. 1, and pass to it, through the proper books, the following :—

Jan. 2. Accepted Bill drawn by W. White & Son for the amount of their A/c. at 3 months.
Sold to John Bell one electrically heated stew pan, £1 19s., two omelet pans at £1 10s. each, three saucepans at £1 10s. each, three hot-water plates at £3 each, one hot-water jug, £1 7 6, and one kettle £4 5.
Received from Black & Co. £50 on account.

,, 3. Drew a cheque for £10 for private purposes.

,, 4. John Bell returned one saucepan and one hot-water plate sold to him on Jan. 2, and settled his a/c. as on Jan. 1, less 2½% dis.

,, 5. Sold F. Green 3 electrically heated water cans, at 50/- ea., 6 flat irons at 19/6 ea., and 1 glue pot 27/6.
Bought from A. Brown & Co., Ltd., five electrically heated Russian coffee machines at £1 17 6 each, six egg boilers at £1 15s. each, three sterilizers at £1 12 6 each, and one convector at £7 15s.

,, 6. Bought for cash two office stools at £1 10s. each.

,, 7. Drew cheque for petty cash and wages £10.
Paid in cash, wages £14 2 6, and salaries £3.
Paid in cash, office expenses 14/10.

,, 9. Bill payable for £60 (due this day) was duly honoured on John Smith's behalf by the bank.
Sundry Cash Sales for week ended Jan. 7, amounting to £27 2 9, paid into the Bank.

,, 10. Bought for £3 a carpet for the private office.
Returned to A. Brown & Co., Ltd., two egg boilers and one sterilizer bought from them on Jan. 5.

Jan. 11. Received from Black & Co. the balance of their a/c., dis. at 2½% being allowed on the whole amount due from them on Jan. 1.
,, 12. Returned carpet purchased on Jan. 10 in exchange for a larger one value £4, the difference paid for in cash.
,, 13. Paid cash for repairs to office desk 7/6.
,, 14. Drew cheque for petty cash £15, and paid wages and salaries as on Jan. 7.
Paid in cash, office expenses £2 7 2.
,, 14. Paid into Bank cash sales for week, £41 15 6.
Paid A. Brown & Co., Ltd., £12 on a/c.

All moneys received were at once paid into the Bank; and (unless stated otherwise) all payments were made by cheque. Balance the a/cs. as on Jan. 14; bring down the balances and extract a T.B. Note that no P. & L. A/c. or B/S. is to be prepared.

Ex. 2. Samuel Smith and Robert Brown are partners in a manufacturing business. After providing 5% per ann. int. upon their respective Cap. A/cs. profits or losses are to be shared equally. Adjustments to be made :—(1) Plant and Machinery A/c. is to be depreciated by 10%. (2) Furniture and Fittings A/c. 5%. (3) Provision for Bad and Doubtful Debts at 5%. (4) Only three quarters rent have been paid; the quarter's rent due on Dec. 25, 1905, not having been paid or passed through the books. **Stock** £800. T/B. extracted on Dec. 31 is set out below. Prepare Trading and P. & L. A/cs. and B/S., in which show the partner's a/cs. in detail.

Dr. Balances—	
Smith's Drawings (including int.)	£450
Brown's do. do.	400
Stock (1st Jan., 1905)	750
Furniture and Fittings	300
Plant and Machinery	500
Goodwill	1000
Purchases	2300
Manufacturing Wages	520
Carriage	100
Salaries	350
Rent	120
Rates and Taxes	20
Gas and Water	30
General Expenses	270
Dr. Balances continued—	
Sales Returns	£150
Bad Debts	80
Cash at Bank	500
Cash in Hand	20
Sundry Debtors	2140
Cr. Balances—	
S. Smith (Cap. Jan. 1, 1905)	2000
R. Brown do.	1500
Sales	5400
Purchases Returns	200
Rent to date for premises sub-let	20
Res. for Bad and Doubtful Debts	150
Discount	10
Sundry Creditors	720

Answer.—*Gross Profit* £2580; *Net* £1503; *Bal. of Cap.*: *Smith* £2401 10, *Brown* £1926 10, *Total of B/S.* £5088.

Exercise 62. (*Society of Arts, 1907*).

Q. 1. What system of Book-keeping would you recommend to a trader starting in business? Explain the various books which should be kept, so as to enable him to ascertain in the shortest time and most reliable manner the results of his business operations. **Q. 2.** What is the difference between gross profit and net profit? Illustrate your answer by means of pro formâ Trading and P. & L. A/cs. applicable to the business of a Timber Merchant.

Ex. 1. The assets and liabilities of W. Brown, wine and spirit merchant, on 31st Dec., 1906, were as follows :—

Cash at Bank	£500	Due to A. Robinson	£90
Cash in hand	50	Due to W. Walters	60
Port Wine, 5 pipes at £60	300	B/P. (A. Robinson, due Jan. 6, 1907)	50
Sherry, 5 butts at £50	250		
Owing by H. Johnson	50		
B/R. (J. Smith, due Jan. 12, 1907)	250		
Office Furniture	100 – £1500		£200

On 1st Jan., 1906, a company was formed with a capital of £2500 in £1 shares, to purchase W. Brown's business, and it was agreed that the purchase price should be an amount equal to his capital in the business on 31st Dec., 1905, to be paid as to £500 in cash, and the balance in fully paid shares, the company taking over all the assets and liabilities of the business. The remaining shares were issued to the public and were duly subscribed, allotted and paid up. Pass the above and the following through the proper books, balance the a/cs., bring down the balances and extract a T.B. *Receipts and payments through Bank*, unless otherwise stated.

Jan. 2. Drew cheque for Petty Cash £30.
Sold to H. Johnson 10 doz. of Sherry at 25s. a doz., and 1 pipe Port at £70.
Bought of W. Glass 30 doz. quart bottles @ 2s. a doz., and 15 doz. pints at 1s. 6d. a doz.

,, 3. Paid cash for Dock charges £2 15s.
Bought from J. Lewis 10 hogsheads of Brandy at £40, giving him a bill at 2 months, he allowing 2½% discount.
Paid wages and office salaries, drawing and cashing cheque for same, £4.

,, 4. Received from H. Johnson, on a/c. £50.

,, 5. Paid preliminary expenses in connection with the formation of the Company, including legal charges, £100.

,, 6. Bought of A. Robinson 2 pipes of Port at £55, and 6 10-gallon casks of Whisky at £8 a cask.
Bill payable (A. Robinson) paid by Bank, £50.

,, 7. Paid W. Walters account, less 2½% discount.

,, 8. Paid Cash for repairs to cellar door £10 9s. 8d.

,, 9. Drew cheque for Petty Cash £5.

,, 10. Paid wages and office salaries, drawing and cashing cheque for same, £6.
Received cheque from H. Johnson in settlement of a/c., less 5% dis. on the whole of his purchases from Jan. 1.
Paid J. Smith's Bill for £250 to the Bank.

,, 12. B/R. given by J. Smith for £250 returned dishonoured.

,, 14. Sold to T. Kino 3 doz. Whisky at 39s., 2 doz. Port at 44s., 5 doz. Sherry at 25s., and 3 doz. Brandy at 60s.

Ex. 2. Messrs. George Elliott and Philip Barker are partners in a manufacturing business. After providing 5% per ann. interest upon their Capital A/cs., profits and losses are to be shared in the

proportion of George Elliott three-fourths, and Philip Barker one-fourth. Before closing the books as on 31st Dec., 1906, the following further adjustments have to be made. (1) Depreciate Plant and Machinery A/c. 10%. (2) Depreciate Furniture and Fittings A/c. 5%. (3) Provide 5% on Bad and Doubtful Debts. (4) One quarter's rent to be reserved for, only three quarters having been paid during the year. (5) £25 owing for Trade Exs. has not been passed through the books. (6) **Stock,** valued at £1250. Prepare Trading and P. & L. A/cs. and B/S., showing the Partners' A/cs. in detail in the B/S.

Dr. Balances—	
Elliott's Drawings with int.	£317
Barker's do.	133
Furniture and Fittings	550
Plant and Machinery	750
Stock, 1st Jan., 1906	950
Office Expenses	250
Trade Expenses	150
Wages (manufacturing)	900
Salaries	425
Carriage	125
Purchases	1680
Returned Sales	125
Bad Debts	80
Rent	120

Dr. Balances continued—	
Rates, Taxes	£40
Gas and Water	25
Sundry Debtors	1250
Cash at Bank	300
Cash in hand	130
Cr. Balances—	
Elliott's Capital 1st Jan.	3000
Barker's do.	1000
Returned Purchases	150
Sales	3390
Interest and Discount	35
Res. Bad and Doubtful Debts.	45
Sundry Creditors	680

Answer.—*Gross Profit* £1010; *Net Loss* £430; *Bal. of Cap.*: *Elliott* £2510 10, *Barker* £809 10; *Total of B/S.* £4065.

Exercise 63. (*Society of Arts, 1908.*)

Q. 1. On which side of the Ledger would you expect to find the balance of the undermentioned a/cs.? Give a brief reason in each case:—(*a*) Reserve for Bad and Doubtful Debts. (*b*) Good-will a/c. (*c*) Suspense a/c. for Insurances paid in advance. (*d*) Freehold Property a/c.

Q. 2. Explain the following:—"Reserve Fund," "Rebate," "Sinking Fund," "Depreciation."

Ex. 1. John Druce, a cycle dealer, had on 31st December, 1907, the following assets and liabilities.

Furniture and Fittings		£120
Bills Receivable due 1908:—		
A. Graves, due 9th Jan.	75	
B. Walters, due 10th Jan.	125	200
Owing by:—A. Brown	25	
J. Smith £45; A. Graves	20	
B. Walters £10; M. Robinson	105	£150

Cash at Bank £300, on hand	£25
Stock	650
Due to H. Sweeting	150
,, A. Fisher	75
Bills Payable due 1908:—	
S. Unwin, due 6th Jan.	90
F. Lord, due 8th Jan.	85

John Druce agreed to take M. Robinson into partnership conditionally on the amount owing by him to John Druce on 31st December, 1907, being paid at once; and also upon his bringing into the business, in cash, the same amount of capital as was standing to the credit of John Druce's Capital A/c. at this date; one-half of this latter amount was to be paid out in cash, by way of premium, to John Druce and was to appear in the books of the

partnership as Goodwill. These conditions were duly carried out as on 1st January, 1908. Pass the above and the following through the proper books, balance the a/cs. as on 11th Jan., bring down the balances; extract T.B. *All moneys received paid at once into the bank.*

Jan. 1. Bought of H. Sweeting 1 dozen bicycle frames at 15s. each.
do. for cash 4 dozen wooden crates at 3s. each.

,, 2. Sold A. Brown 3 bicycles at £7 10s. 0d. each, one of which was returned on 3rd January.

,, 3. J. Smith paid his a/c. deducting £2 for bicycle damaged in transit.
Sold B. Walters 2 bicycles at £8 8s. 0d. each, charging him with 2 crates at 3s. 6d. each.
Bought of A. Fisher 6 pairs of wheels at 30s. a pair and job lot of accessories for £5.

,, 4. Paid office salaries and wages, drawing and cashing a cheque for same £6 10s. 0d.
Each partner drew out in cash £3 on private a/c.

,, 6. Paid A. Fisher by cheque £25 on a/c.
Bill payable (S. Unwin), due this day, paid by bank.
Sold J. Smith one bicycle for £7 10s. 0d., upon which he paid £2 on a/c.

,, 7. Bought for cash two second-hand bicycles at 15s. each, one of which was sold for cash the same day for 25s.
Cashed cheque for £10 for petty cash purposes.

,, 8. Bill payable (F. Lord), due this day, paid by bank.
B. Walters paid the balance of his a/c. as on this day, deducting 5% dis., which was disallowed.

,, 9. B/R. given by A. Graves returned dishonoured; a new bill at one month being given for the whole of his a/c.
Sold to B. Walters 20 brakes at 2s. each and 6 lamps at 5s. each.
Bought of F. Lord 6 dozen lamps at 3s. each.

,, 10. Bill receivable B. Walters duly met.
Sold A. Graves a second-hand bicycle for 30s.

,, 11. Paid office salaries and wages, drawing and cashing cheque for £6.
Each partner drew in cash £3 for private purposes.
A. Brown accepted a bill at 3 months drawn upon him for the balance owing by him at this date.

Ex. 2. The authorised Capital of a Manufacturing Co. consists of 15,000 Ordinary Shares of £10 each. Prepare Trading and Profit & Loss A/cs. for the year ended 31st Dec., 1907, and a B/S. as on that date. Charge Depreciation on Land and Buildings at 3% per ann., and on Machinery & Plant at 6%. Make a reserve of 5% on the Sundry Debtors for Bad Debts; write down Patents by 10%; carry forward £90 of Insurance; and charge £500 as Directors' Fees. **Stock** as on 31st December, 1907, agreed at £23,700 Charge 10% on net profits as remuneration to Managing Director, and appropriate £2,500 to Reserve A/c., carrying forward balance.

Dr. Balances—	
Stock (1st January, 1907)	£32000
Cash in hand	150
Cash at Bank	2900
Purchases	52350
Sales Returns	400
Manufacturing Charges	11500
Manufacturing Wages	28550
Salaries	1500
Trade Expenses	6850
Rates and Taxes	250
Insurance	190
General Expenses	2640
Discounts (balance)	1800
Bad Debts	570
Dr. Balances continued—	
Interest and Bank Charges	£350
Land and Buildings	22250
Machinery and Plant	35600
Sundry Debtors	52500
Patents	5000
Cr. Balances—	
Capital issued and fully paid up 9000 shs. of £10 ea.	90000
Sales	136500
Purchases Returns	750
Sundry Creditors	21750
Bad Debts Res. (1 Jan., 1907)	2600
P. & L. (bal. 31 Dec., 1906)	750
Reserve	5000

Answer.—*Gross Profit*, £36,150; *Net Profit*, £18,261 10 0; *Total B/S.* £136,261 10 0.

Exercise 64. (*Society of Arts, 1909.*)

Q. 1. Explain briefly the following:—"Goodwill," "Dead Rent," "Bill of Lading," "Bill of Sale," "Letter of Credit."

Q. 2. Which of the balances of the following ac/s. would you expect to find in the B/S., which in the Trading A/c., and which in the P. & L. A/c.? Give your reasons in each case. (*a*) Machinery repairs and renewals. (*b*) Discounts allowed. (*c*) Unexpired proportion of apprentice premiums. (*d*) Transfer fees. (*e*) Unclaimed dividends. (*f*) Stock of goods and materials on hand.

Ex. 1. J. Bennett & Co., Ltd., had on 31st December, 1908, the following Ledger Balances:—

Dr. Balances—	
Cash at Bank	£1000
Bills Receivable due 1909:—	
W. Cox, due 5th Jan.	250
J. Cooper & Co., due 7th Jan.	250
DEBTORS:—Thomas Green	100
W. Cox	50
J. Cooper & Co.	150
A. Black & Co., Ltd.	250
J. Jones	300
Cook & Co.	1050
Dr. Balances continued—	
Stock	£3000
Buildings	6000
Cr. Balances—	
Ordinary Share Cap.	5000
Preference Share Cap.	5000
CREDITORS:—J. Jinks	200
F. Flint	800
J. Smith	150
Johnson & Co.	250
Profit & Loss A/c.	1000

Pass the above and the following through the proper books, balance the A/cs. as on 11th January, 1909; bring down the balances; extract T.B. *All moneys received paid at once into the bank.*

Jan. 1. Drew and cashed petty cash cheque £5.
Sold W. Cox 120 yds. of Silk at 5s. 6d. per yd.

,, 2. Accepted bills drawn by F. Flint, viz.: three for £250 each drawn at one mo., two mos., and three mos., respectively. Paid Flint the balance of his a/c. by cheque, deducting 2½% dis. on the whole a/c. as on 31st December, 1908.
Bought for £4 10s. 0d. a parcel of silk.
Drew and cashed cheque for petty cash and wages £15.
Paid wages in cash £12 10s. 0d.

Jan. 4. Received from J. Cooper & Co., £50 on a/c.
Sold Thomas Green 20 yds. of Irish Linen at 3s. per yd.
Bought of F. Flint 75 yds. of Irish Linen at 2s. per yd.

,, 5. Received fees on transfer of shares 10s.
Paid by cheque, Tool & Co., £47 10s. 0d. repairs to bldgs.
W. Cox's bill due and paid to bankers.

,, 6. Sold A. Black & Co. 150 yds. of black silk at 10s. per yd.
A. Black & Co., paid the whole of their a/c. less 5% dis.

,, 7. J. Cooper & Co.'s bill due but not met. Two new bills of equal amount given at one mo. and three mos. respectively to cover the whole amount due from them.

,, 8. Bought of J. Jinks 9 pcs. of velvet, each of 40 yds., at 8s. 6d. a yard.
Received of Cook & Co. £250 on a/c.
Rec. first and final dividend 5s. in £ on Green's a/c.

,, 9. Paid, in cash, carriage a/c., 30s. Paid, by cheque, legal expenses, £7 10s. 0d. Purchased postage stamps, £2. Paid, by cheque, stationery a/c., £1 15s. 0d. Drew and cashed cheque for petty cash and wages, £17 10s. 0d. Paid wages in cash, £14.

,, 11. Received of J. Jones the amount of his a/c. less 2½%. Paid J. Smith the amount of his a/c. less a dis. of 2½%, after taking into consideration an allowance made by him of £10 for short delivery of goods.

Ex. 2. From the following T.B. extracted from the books of J. & J. Robinson, prepare Trading and P. & L. A/cs. for the year ended 31st December, 1909, and B/S. as on that date. Charge Depreciation on Land and Buildings at 2½%, on Plant and Machinery at 10%, and on Furniture and Fixtures at 10%. Make a reserve of 5% on Sundry Debtors for Bad Debts. Carry forward the following unexpired amounts :—(1) Fire Insurance £12 7 2; (2) Rates and Taxes £24 2 6; (3) Apprentice Premiums £40. Charge 5% Int. on Cap. but not on Drawings. Profits and Losses to be shared in the following proportions :—James Robinson five-ninths, Joshua Robinson four-ninths. **Stock** as on 31st December, 1908, £2939 9s. 8d.

Dr. Balances—			
Jas. Robinson's Drawings A/c	£437	10	-
Joshua Robinson's do.	346	11	7
Land & Buildings	2500	-	-
Plant & Machinery	1426	17	7
Furniture & Fixtures	125	8	4
Carriage	437	1	4
Wages (Manufacturing)	2147	6	1
Salaries	467	10	-
Sales Returns	176	2	7
Bank Charges & Interest	14	4	6
Coal, Gas and Water	72	1	7
Rates and Taxes	84	7	6
Purchases	4216	17	2
Bills Receivable	127	10	-
Trade Expenses	49	7	9

Dr. Balances continued—			
Sundry Debtors	£3781	15	9
Stock (31st Dec., 1907)	2642	14	8
General Expenses	149	1	5
Fire Insurance	49	15	-
Cash at Bank and in hand	1844	4	10
Cr. Balances—			
Jas. Robinson's Cap. A/c.	5000	-	-
Joshua Robinson's do.	4000	-	-
Bad Debts Res. (31. 12. 1907)	247	6	2
Sales	9122	16	9
Discount A/c. (balance)	12	7	6
Purchases Returns	846	2	2
Sundry Creditors	1217	15	1
Apprentice Premium	50	-	-

Answer.—*Gross Profit*, £3288 6 4; *Net*, £1851 5 7; *Bal. of Cap., James*, £5840 19 9; *Joshua*, £4776 4 3. *Total of B/S.*, £11874 17 1.

[There are no exercises numbered 66 to 69.]

N.B.—Exercise 65, Society of Arts, 1910, will be found at the end ot the Examination Papers.

This and the seven following pages are reserved for future Examination Papers of the Society of Arts, so as to obviate the necessity of re-indexing the book on the production of a new edition.

A. F.

WOLVERHAMPTON,

19th July, 1907.

For the teaching of Book-keeping I regard your work as being the VERY BEST. I have recently had several works sent me from Chartered Accountants and others, but beside your work those are absolutely hopeless. I am just taking a young man privately for the Accounting subject at the BIRMINGHAM UNIVERSITY for the degree of BACHELOR of COMMERCE, and I am starting him with your textbook.

W. COLLIN GRANT-SMITH, LL.B.,

Chartered Accountant and Auditor.

Fellow of the Society of Accountants and Auditors.

Fellow of the Chartered Institute of Secretaries.

Fellow of the Scottish Institute of Accountants.

Lecturer on Mercantile Law, Accounting, Banking, &c., at the Municipal Science and Technical School, Wolverhampton.

24th June, 1909.

I have had a copy of "Fieldhouse" on my desk since January, 1908, and have constantly used the same. I congratulate you upon being the author of such a useful book.

N. D. VINE,
Second Prizeman and Double Silver Medallist in Book-keeping and Accounting and Banking, 1909.

26th July, 1909.

I have several books on Book-keeping, but consider that my "Fieldhouse" is worth more than all the rest. I have used it for the last two years, and have no hesitation in recommending it to all.

WADE HUSTWICK,
First Prizeman and Bronze Medallist, 1909.

I have a high appreciation of the value of your textbook, which I have used since 1904. It is undoubtedly the most complete work obtainable, and I always recommend it to my friends.

F. J. ALBAN, Accountant,

First *Prizeman and Double Silver Medallist in Book-keeping, and Accounting and Banking, at the Society of Arts Examination, 1909.*

First *Place at the Intermediate Examination of the Society of Incorporated Accountants and Auditors.*

First *Prize, and First Certificate of Merit at the Final Examination of the Society of Incorporated Accountants and Auditors.*

First *Place at the Final Examination of the Institute of Municipal Treasurers and Accountants.*

LONDON, N.,
29th June, 1907.

I congratulate you once more upon the excellence of the new edition of the "Student's Book-keeping." For valuable matter and cheapness it is a marvel. I was asked a few days ago to recommend the "finest book on the market:" I unhesitatingly answered "Fieldhouse!" The enquirer acted on my advice and quite agrees with my opinion.

F. J. MITCHELL,
Original Author of "Book-keeping Simplified."

LONDON,
16th September, 1907.

I am pleased to have the opportunity of acknowledging the merits of your textbook. In my opinion it is a most valuable aid to students of Book-keeping, and I do not hesitate to attribute my successes in the London Chamber of Commerce (1905) and Society of Arts (1907) to its use.

JOSEPH M. McCRUDDEN,
Double Silver Medallist.

28th June, 1909.

It gives me the greatest pleasure to bear witness to the great assistance your textbook has been to me in my preparation. I might say that it is the only book on the subject which I used, and is also the only really practical work which I have yet come across.

W. ASHLEY OAKES,
Silver Medallist, 1909.

26th June, 1909.

I have pleasure in stating that I have used your textbook in the course of my studies and have found the same of great service to me. I have yet to find its equal.

R. SIDNEY HOVELL,
Silver Medallist, 1909.

26th June, 1909.

I am pleased to say that I have used your book and it has been of great assistance to me. The exercises found therein I consider to be extremely valuable; the most complete set, in fact, that I have ever seen in any book on the subject. It is a book I can and do recommend to all students of Accounting.

W. H. YOUNG,
Silver Medallist, 1909.

9th August, 1909.

I consider I had great "luck" in January this year, when a fellow-student showed a "Fieldhouse" to me, whereupon I obtained a copy, and from that time discarded my other textbooks.

GEORGE W. BERREY,
Bronze Medallist, 1909.

HULL, 10th October, 1908.—I joined the Hull Technical School Classes in Advanced Book-keeping under Mr. Hendy. He, OF COURSE, used your textbook, and I think my SUCCESS was DUE VERY MUCH to YOUR BOOK, and in no small degree to Mr. Hendy. I shall be glad to receive a copy of the latest edition of your textbook, also "Business Methods," and "Income Tax Simplified," as I am this session taking up Accounting and Banking at the Technical School.

FRANCIS P. COLEMAN,
First Prizeman and Silver Medallist, 1908.

DUBLIN, 29th October, 1908.—It may interest you to know that Mr. Patrick Kelly, one of my pupils at the Blackrock College took the FIRST PLACE in the UNITED KINGDOM at the TAXES EXAMINATION of the CIVIL SERVICE. Mr. Kelly worked through YOUR BOOK, along with two others, in eight months.

W. D. GILLESPIE.

Will you please send me a copy of your "Student's Complete Commercial Book-keeping," for which I enclose you Postal Order for 4/-. It may be interesting to you to know that in our OFFICES there are SIX of your books IN USE at the present time, as we consider it the BEST BOOK on the subject.

G. W. S., Public Accountant and Auditor.

As winner of the LONDON CHAMBER OF COMMERCE Silver Medal for Book-keeping and Accountancy last year, I am writing to thank you for the great help your textbook was to me in preparing for that and other Exams. It formed the CHIEF SOURCE OF MY TRAINING, and I have nothing but praise to offer as to its worth. Since using your work, I should think quite a DOZEN MEN IN THE OFFICE have it as their COMPANION, and are well satisfied.

H. H. E. B., Silver Medallist.

INCOME TAX.

228. The **INCOME TAX,** which comes under the head of **Inland Revenue** in the fiscal system, is a direct imposition, in the form of a poundage, payable upon the **annual profits** of any profession, trade, employment, or vocation carried on or exercised in the United Kingdom, by any person whatsoever and wheresoever residing, and also on the profits of trades carried on elsewhere than in the United Kingdom, if carried on by any person, actually or constructively, resident in the United Kingdom. It will thus be seen that a *resident* in the U.K. is taxable on the *whole* of his gains, whether arising in the U.K. or abroad; but a *non-resident* is taxable only on gains arising in the U.K. Tax is also payable on all interest, rents, annuities, pensions, stipends and other annual profits, *except* in respect of the income or profits of Colleges and halls of Universities, Hospitals, Public Schools, Almshouses, Literary or Scientific Institutions, *registered* Trade Unions or Friendly Societies, Trustee Savings' Banks, and Industrial and Co-operative Societies; although the latter are assessable under Schedule A for Property Tax. Interest or rents applied to charitable purposes are also exempt, but *profits* so applied are not. While on matters of **fact** the decision of the **Commissioners** is **final,** this is not so on a point of **law,** upon which the opinion of the High Court may be required if dissatisfaction be expressed by either party. It must always be borne in mind that the object of Parliament is not so much the person as the *source* of the income itself. In other words, Parliament seeks the tax where the income is *actually produced* or originates, *before* any distribution of profits, and totally regardless of the persons among whom such income is to be distributed, therefore the profits of Corporations and Companies are taxed in their entirety before distribution among the shareholders. Further, the tax is deducted on payment of interest by a mortgagor to his mortgagee; on payment of rent by a tenant to his landlord or lessee; on payment of royalties on minerals or patents to the owner or

patentee. The general basis of assessment thus being to tax income at its source, the actual payer of the tax has the *right to deduct* the amount from whatever payment he may thereafter make to the person enjoying the income. In practice this is found the most convenient course to pursue, and the comparatively few cases in which the actual person enjoying the income is entitled to claim exemption or abatement may be dealt with later on by the Claims Branch without adding materially to the work of the Inland Revenue (*East Wing, Somerset House, London, W.C.*) There are **two rates of tax,** the **normal** or **higher** rate (1/2 in the £ at present) being payable upon **all** assessable income, however small, *unless the taxpayer makes a claim* to be assessed at the lower rates before the 30th September in the year of assessment. The **relief** or **lower** rate (9d. in the £ at present) is chargeable on *earned* income where the *total* income of an individual does not exceed £2000. When the *earned* income exceeds £2000, but does not exceed £3000, the rate chargeable is 1/- in the £ at present, instead of 1/2. It is proposed to charge a **Super Tax** of **6d.** in the £ on incomes exceeding £5000 per annum, in so far as such incomes exceed £3000 per annum ; *i.e.* an income of £6000 would be assessed as to one-half at 1/2 in the £, and as to the other half at 1/8 in the £.

229. The most important factor in producing **correct returns** for Income Tax and in convincing the officials and Commissioners is an adequate **system** of **Book-keeping.** There is little doubt that nine-tenths of the disputes between the public and the authorities arise from inefficient methods of account-keeping, and the consequent inability of the taxpayer to prove his exact profit. It must be remembered that while the Commissioners *cannot* compel the production of a **trader's account books** in order to substantiate his Statement of Income, he would be prejudiced by a refusal to do so, and might suffer by an excessive assessment in consequence.

230. There are in all **five** schedules under which income tax is assessed. **SCHEDULE A**, or *Property Tax*,

sometimes called the *Landlord's Tax*, because it is ultimately borne by the *owner*, relates to incomes, rents, royalties, tithes, profits of manors, fines on renewals of leases, &c., derived from the *ownership* of freehold, leasehold, and copyhold land and buildings, quarries, mines, railways, canals, &c. In practice, however, the tax payable in respect of the income from quarries, mines, &c., is assessed under Schedule D, see par. 236. The actual *annual rental* is the basis of the charge, but if in the occupation of the owner, then the *poor-rate assessment* is generally taken as the basis. **Deductions** are allowed for Land Tax and Public Drainage Rates, as well as *one-eighth part* of the rental in the case of *lands* (including farmhouses and buildings) and *one-sixth* in the case of *houses and buildings* (exclusive of farmhouses) to cover the cost of **repairs.** If the occupier, being only a tenant, pays this tax, he is entitled to, and *must*, deduct the same from the *next* payment of rent to his landlord, otherwise he will lose the right of deduction. In the case of dwelling-houses of a less annual value than £10, and of lands or houses let for a less period than one year, the assessment under Schedule A is to be made on the landlord. Where an owner can show that he has expended on replacement, maintenance, repairs, insurance, and management, according to the average of the preceding five years, more than one-eighth of the annual value of land and one-sixth of the annual value of houses, *it is proposed* that he shall be entitled to a **further deduction** of the amount of duty on the excess, not exceeding in the case of land one-eighth part, and in the case of houses one-twelfth part of the duty on an amount equal to the annual value. The object of the proposal is to afford relief to good landlords by increasing the allowance for repairs, &c., from 12½% to 25% in respect of land, and from 16⅔% to 25% in respect of houses. The old statutory deductions of one-eighth and one-sixth respectively will continue to be made as heretofore, and the proposed additional allowance will only be made, by way of *repayment*, on a declaration of the owner proving his expenditure. The assessment books for Schedule A

are revised every five years. Land and buildings are always assessed in the place where situate, no matter where the owner resides. A property owner should remember that he is entitled to **exemption** from Property Tax if his whole income does not exceed £160 per annum; and that he is entitled to the usual **abatement** where his income does not exceed £700. Being *unearned* income the tax payable under Schedule A is generally at the higher rate, unless the property forms part of the emolument of any office or employment of profit held by an individual, in which case it is regarded as *earned* income.

231. SCHEDULE B, or the *Farmer's Tax*, which is borne by the *occupier*, relates to incomes derived from the use and *occupation* of lands—farms, nurseries, market gardens, &c., and being *earned* income is chargeable at the *lower* rates if not exceeding £3000 per annum. On the presumption that the ordinary farmer does not keep a complete account of his transactions, the Income Tax Acts have *fixed* his profit at one-third his annual rent. Thus, a farmer paying £900 per annum is deemed to make a profit of £300, which is, of course, subject to the usual abatement. He has, however, the **option** of being assessed on his *actual* profit under **Schedule D,** in preference to his fixed or statutory profit under Schedule B, provided notice is given to the Surveyor of Taxes to that effect before the 6th June. Where, by reason of flood or tempest, loss shall be sustained to crops, or any lands shall be rendered incapable of cultivation, the Commissioners, on proof that the owner has abated any portion of the rent, may abate the assessment to a like extent. Similar relief is granted where the owner is himself the occupier.

232. SCHEDULE C, or the *Stockholder's Tax*, chargeable at the higher rate, relates to *unearned* incomes derived from the interest, annuities and dividends, payable out of the Public Funds of the U.K., the Colonies, or any foreign state; and is generally deducted when the dividends are paid by the Bank of England and other financial houses, who have been previously charged under this Schedule, which is practically non-existent

so far as the individual taxpayer is concerned. If the income of the stockholder entitles him to exemption or abatement, it is necessary to apply to the Secretary of Inland Revenue for a return of the tax, unless it is in respect of dividends amounting to *less* than 50/- per half-year, in which case the tax is not deducted.

233. SCHEDULE E, or the *Salary* or *Annuity Tax*, relates to the salaries, annuities, pensions, remuneration and fees payable to officials, directors, managers, secretaries, auditors, clerks, and others in the employment of the Church, State, Corporations, Public Bodies, Limited Companies and Firms. This tax is charged upon the *actual profits of the year of assessment*, although in the case of clerks, it is allowable for them to take a three years' average, as if they were assessable under Schedule D. If a public official receives any additional salary, beyond the assessment made upon him, a supplemental assessment may be made for the increase. A Railway Co. is liable for the payment of the tax in respect of its employees, from whose salaries the Co. is empowered to deduct the same. All **employers** are under a statutory obligation to furnish a **list** of the names, addresses, wages, and other payments, of their **employees** who are not entitled to exemption from the income tax. As this Schedule relates solely to *earned* income the tax will be at the lower rates if the income does not exceed £3000 per annum, and relief is claimed in due course. There is *no* provision for repayment of tax under Schedule E, except on the ground of expenses or double assessment. A blue foolscap form, **No. 12,** is sent about May in each year by the District Assessor to every person likely to be assessable under this Schedule. Page 1 contains the circular letter requesting the Return to be made within 21 days, also columns for the description of the office held or employment followed, and the salary, fees, emoluments, commission or bonus received therefor. The claims for life assurance premiums should be made on page 2, which page also gives instructions for filling up the Claim (on page 3) for exemption, abatement or relief, where the total income from *all sources* (whether taxed or not) does not exceed £160, £700 or £3000 respectively.

234. SCHEDULE D, or the *Commercial* and *Professional Man's Tax*, relates to incomes derived from Trade, Manufacture, Profession, Employment or Vocation, and any income not included in the other four schedules. Immediately after the 6th of April in each year notices are posted up in prominent places throughout the country, calling upon all and sundry to make a return of their incomes for the purposes of taxation. Simultaneously the District Assessor forwards to every person or firm likely to be assessable under this schedule a four-paged demy buff form, **No. 11,** known as the **Return for Assessment under Schedule D,** the **first page** of which contains the circular letter requesting the Return to be made within 21 days; and enclosing a separate four-paged paper of *Notes, Explanations, and Instructions in regard to the Income Tax Form of Return, No. II*, which sets forth the Rules and Regulations for calculating Profits. **Page 1** of the **Return** also contains, at the foot, *Declaration* (A) that a Return has already been made. **Page 2** of the **Return** is to be used for the Statement of untaxed Income under Schedule D, and the General Declaration of the taxpayer; also for Claim (B) in respect of Life Assurance Premiums. Should the recipient of the Return have *no* untaxed income whatever falling under any of the heads enumerated on page 2, he should enter the word "Nil" in the money column on that page, sign the "General Declaration" thereto annexed, and forthwith return the form to the assessor. **Page 3** of the **Return** contains Claim (C) for (*a*) Exemption or Abatement, when the income of an individual from all sources does not exceed £160 for exemption, or £700 for abatement; (*b*) The Relief allowed to Earned Income, when the Income from all sources does not exceed £3000. On this page the Claimant must set forth **every source** of income, both of self and wife, with the amount derived from each source, whether tax has been paid on it or not. This claim for Relief in respect of Earned Income **must** be made *before the 30th September* in the year of assessment, otherwise the higher rate of duty will be charged on the total income. **Page 4** of the

Return contains two Declarations respectively lettered (D) Where the acting partner or agent declares the constitution of a firm, the division of the profits, and charges payable thereout, (E) Where a person carries on a business in more than one place, or resides in a different parish from his business. The object of **Declaration E** is to obtain information which will prevent the making of two assessments upon the same source of income.

235. The tax under **Schedule D** is **charged** on the **average profits** of the **three financial years** of the business **preceding** the **year of assessment;** that is to say, assuming the year of assessment to be 1911-12, ending 5th April, 1912, and that it was customary for the books to be balanced on the 31st Dec. in each year, then the a/cs. for the years 1908, 1909, and 1910, would form the basis of the Return to be made in the Spring of 1911. If the business has not been carried on three years, then the average from the start up to that period is taken instead. Where there has been a **change** in the **business** brought about by the retirement or introduction of a partner, or where a business has been disposed of, the Return must still be based on past profits. If, however, it can be shown, that since the change took place or by reason of it, the profit has diminished from some "specific cause," such as an extraordinary depression of trade, or where a retired partner influences trade away from the firm, the business is then assessed as a new one on the actual profit made. Where two or more partners dissolve, and each goes into business on his own account, there is, of course, no succession, each being treated as carrying on a new business.

236. The tax on profits derived from Quarries, Ironworks, Gasworks, Waterworks, Canals, Railways, Docks, Tolls of Fairs, Markets, Bridges, &c., is charged on the *profit of the preceding year.* The tax on profits derived from Mines is charged on the *average profits* of the *five years* preceding the year of assessment. Application should be made to the Surveyor of Taxes for a special form upon which to make the return of income falling under the heads referred to in this paragraph.

The **Ordinary Trading** and **Profit & Loss A/c**, of **Wallsend & Silkstone**, Coal Merchants, for the three years ended 31st December, 1915, extracted from the books of the Firm.

Dr. **Cr.**

	1913	1914	1915		1913	1914	1915
To Stock, 1st January	£320	£390	£370	By Cash Sales	£216	£264	£290
,, Purchases	12560	12860	13200	,, Credit Sales	16410	16940	17560
,, Carriage	930	940	980	,, STOCK, 31st December	390	370	410
,, GROSS PROFIT c/d	3236	3384	3710				
	£17046	£17574	£18260		£17046	£17574	£18260
To Wages	760	770	790	By Gross Profit b/d	3236	3384	3710
,, Horse Keep & Stable Expenses	410	420	440	,, Commission received	10	16	20
,, Rent & Rates	73	70	78	,, Rents Received	40	40	40
,, Travelling Expenses	45	48	52	,, Dividend received from the Anthracite Coal Co., Ltd.	50	60	70
,, Fire Insurance, &c.	10	10	10				
,, Repairs	15	12	18				
,, Advertising	50	56	66				
,, Discount & Allowances	34	38	43				
,, Office Expenses	26	32	38				
,, Commission	15	20	25				
,, Voluntary Subscriptions	10	10	10				
,, Bad Debts	54	30	43				
,, Interest on Loan	50	50	50				
,, Property Tax at 1/2 in the £	7	7	7				
,, Income Tax, Schedule D	45	48	54				
,, Depreciation of :—							
Buildings @ 2½%	60	58	56				
Office Furniture @ 7½%	6	6	6				
Horses @ 15%	75	75	75				
Carts @ 10%	16	16	16				
Railway Trucks @ 7½%	60	55	50				
,, Salaries of Partners	300	300	300				
,, Interest on Capital	100	100	100				
,, NET PROFIT	1115	1269	1513				
	£3336	£3500	£3840		£3336	£3500	£3840

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The **Special Profit & Loss A/c.** of **Wallsend & Silkstone,** Coal Merchants,
for the three years ended 31st December, 1915,

Adjusted so as to show the **Statutory Income** for the purposes of **Taxation.**

	1913	1914	1915		1913	1914	1915
To DEDUCTION of items allowed :-				By Net Profit brought down from the Profit & Loss A/c. of the Firm	£1115	£1269	£1513
Assessment under Schedule A of Buildings owned and occupied by the Firm, the net value, after deduction of one-sixth for Repairs, being indicated by the amount paid for Property Tax, £7	£120	£120	£120	,, ADDITION of items, as per Contra, not allowed to be deducted by the Income Tax Commissioners when arriving at the Statutory Income :-			
Rents received, as per Contra, the Tax thereon having been deducted on payment thereof by the tenant	40	40	40	Voluntary Subscriptions	10	10	10
Dividend received, as per Contra, the Tax thereon having been paid at the source by the Anthracite Coal Co. Ltd.	50	60	70	Interest on Loan.....	50	50	50
To STATUTORY PROFIT for Income Tax purposes	1634	1774	2007	Property Tax	7	7	7
				Income Tax	45	48	54
				Depreciation.....	217	210	203
				Salaries of Partners	300	300	300
				Interest on Capital	100	100	100
	£1844	£1994	£2237		£1844	£1994	£2237

£1634 + £1774 + £2007 ÷ 3 = **£1805** is the **average** or **Statutory Income** to be entered at the top of page 2 of the "Return for Assessment," as shown on the next page.

Presuming that the Surveyor of Taxes allowed for **Wear and Tear**, say £75 on the Horses, this amount being the actual loss in market value during the year; 5% on Carts, £8; and about 3% on the Railway Trucks, £20; the total amount, **£103**, of these three allowances would require to be entered at the foot of the "Statement of Income" on page 2 of the Return, as shown on the next page.

Page 2 Statement of Untaxed Income for Assessment under Schedule D	Amount £
FROM TRADE, PROFESSION, EMPLOYMENT, OR VOCATION, viz. :—	
The Trade, Profession, or Business of *Coal Merchants*, carried on by *Wallsend and Silkstone*, at *Hunslet, Leeds*	1805
The Employment or Vocation of _____	
carried on by me at _____	
FROM BANK INTEREST OR OTHER INTEREST OF MONEY NOT TAXED BY DEDUCTION AND FROM DISCOUNTS, viz. :—	
Particular source of such Income _____	
FROM COLONIAL AND FOREIGN SECURITIES (where the Duty is not deducted by the Agent entrusted with payment thereof), viz. :—	
Interest of Money, Annuities or other Annual Payments arising from Railways out of the United Kingdom	
Interest of Money, Annuities or other Annual Payments derived from Property out of the United Kingdom other than Railways	
Interest or Dividends on Investments in Securities of Indian or Colonial Governments or Companies	
Interest or Dividends on Investments in Foreign Securities.....	
FROM COLONIAL AND FOREIGN POSSESSIONS, viz. :—	
Possessions in any of His Majesty's Dominions out of the United Kingdom.....	
Possessions in Foreign Countries	
FROM PROPERTY OR PROFITS NOT FALLING UNDER ANY OF THE FOREGOING HEADS, viz. :—	
Letting Furnished House at _____	
Other Sources (the particular source to be stated), viz. :— _____	
the amount whereof is computed according to (*a*) _____	
TOTAL...	1805
Less—Amount claimed for Wear and Tear of Machinery and Plant and *not* deducted in arriving at the above figures	103
NET TOTAL...	1702

General Declaration.

I declare that in the foregoing statement I have given a full and true Return of the whole of the Income chargeable upon me under Schedule D of the Income Tax Acts, estimated to the best of my judgment and belief according to the directions and rules of the said Acts.

I desire to be assessed by the *District Commissioners*.

Given under my hand this *first* day of *May*, 1916.

Charles Wallsend, Signature.

310 Hunslet Lane, Leeds, Business Address.

20 Moor Side, Hunslet, Private Residence.

STATE WHETHER THE RETURN IS MADE—

1. On your own behalf,
2. As precedent Acting Partner of a Firm,
3. As Trustee, Agent, Receiver or Factor, and for whom;

or 4. As the Officer of any Corporation or Company.

Precedent Acting Partner of Wallsend & Silkstone.

237. Before filling up the **Statement of Income** on page 2 of the Form, the *Notes, Explanations, and Instructions,* issued therewith, as well as the instructions on the Statement itself, should be very carefully studied. Firms who employ auditors frequently requisition their services in the preparation of the Return, in many cases leaving the matter entirely in their hands. As a necessary preliminary to compiling the **First Return** for Assessment there should be extracted from the books a full and accurate copy of the *Trading and P. & L. A/cs.* for the past three years. This **three-columned a/c.** (ruled like a three-columned Cash Book) each column being headed with its year, gives in one concise view and in comparative form all the information required for ascertaining the taxable profit. A *separate account* should then be prepared showing the adjustments of the various amounts not allowed, as well as other charges which are allowed, after which the average may be struck and the resulting amount inserted, *in one item,* at the top of the money column on page 2 of the Return. Some accountants employ a special left-hand column on this three-columned a/c. in order to show in red ink the items requiring adjustment. The **Claim** for **Wear** and **Tear** of Machinery and Plant at the foot of the Statement of Income, and *Claim B* in respect of Life Assurance Premiums on the lives of the taxpayer or his wife, should be attended to where applicable. In preparing a **Second Return** there is *no* necessity to produce to the Surveyor a three-years' account, the assessed amount of the two preceding years, included in the last assessment, alone being required, along with the statutory income of the new year, for ascertaining the new average. Before forwarding the **Return** to the Surveyor a **copy** should be made thereof and preserved for use in case of appeal, and generally for future reference.

238. Failure to make a Return or the making of an untrue or incorrect Return renders one liable to pay **treble** the **duty** properly chargeable, as well as a further **penalty** of **£20** if on information before the Commissioners, and **£50** if brought before a Court of Law.

Even where a person proves that he is *not* chargeable to duties, he incurs a penalty of £5, for refusing to make a Return. In the absence of a Return the Commissioners may assess the delinquent at what they think proper.

239. In arriving at the assessment under **Schedule D,** the principal problem of the trader is in knowing what deductions he may legally claim out of his profits in order to arrive at his **statutory income** or taxable amount, which is generally at variance with his *real* income. For the purposes of taxation, the income must be ascertained by a fixed standard, which is applicable alike to every taxpayer. This standard is known as the **Statutory income**, being arrived at according to the Law, and the practice of the Officials and Commissioners, which, in such matters as the allowances for "Wear and Tear," varies in each district, and even within the same district, when special circumstances arise. To put it broadly, all expenses and disbursements *wholly* and *exclusively laid out* or *incident to*, and *necessary in*, the *production of profits* can be deducted, but such expenses as are not necessarily and usually incurred in the earning of profits would not be allowed.

240. The following **DEDUCTIONS are NOT ALLOWED.** (1) *Losses* not connected with, or arising out of *Trade*, such as damages payable by a newspaper proprietor for libel; by a professional man whose coachman had negligently run somebody down; by a brewery firm for the falling of a chimney upon a guest in a hotel. (2) Capital withdrawn. (3) Sums expended on improvements or additions to premises. (4) Interest on Capital. (5) "*Annual Interest*," of any kind, whether on a Loan A/c. at the Bank or elsewhere, or any Annuity, Chief Rent, Ground Rent, or other *annual* payment payable out of profits, the tax upon which should be deducted at the time from the person to whom the payment is made. Although no part of the income of the payer, it is nevertheless added to his assessment for the purpose of *collection*, the borrower, tenant, lessee, or payer, thus being made the collector for the Revenue, to whom the amount should be paid in due course.

Take the case of a lessee whose only income is £120, the assessed value of a building, subject to a Ground Rent of £20. On paying the £20 to the lessor the lessee will deduct 23/4 in respect of tax. Although the lessee's income is exempt from income tax, being under £160, he must account to the Revenue for the 23/4 deducted from the Ground Rent. (**6**) Depreciation of furniture and fittings, land, buildings, leases, goodwill, trade-marks, patents, or copyright; but an *Allowance* may be *claimed* (not deducted) in respect of the Wear and Tear of *Machinery and Plant*, and *Ships*. (**7**) Royalties on minerals, or patents, the tax upon which must be deducted when making the payment to the landlord or patentee. An author selling a copyright is chargeable on the actual amount *received*, less expenses; and thus pays tax on capital as well as income. On a re-sale only the difference between the selling and the cost price would be taxable. An inventor, however, is *not* assessable in respect of the lump sum received by him on the sale of his patent. (**8**) Expenses not wholly and exclusively laid out for Trade, &c.; for instance, the expenses attendant upon the removal of a business; or travelling expenses between two places of business, or where a person resides in one place and carries on business in another. (**9**) Partners' salaries or drawings. (**10**) Expenses of maintenance of the person assessable, or his family, or establishment, or wages paid to his wife. Traders dealing in articles of consumption or apparel must not satisfy their wants from the business in these things without accounting therefor. The cost of the maintenance of persons assessed in the case of hotels and restaurants must be estimated and added to the taxable profit. (**11**) Voluntary Subscriptions or gifts, whether to charities, trade defence associations, or for employees' outings, except Trade or Professional Subscriptions or a subscription by a trader to an infirmary where his workpeople could be sent if injured. (**12**) Any sum paid as Income Tax either on the profits of trade or on the Annual Value of Premises. Property Tax is *not* incurred in carrying on the business, this charge arising

out of the *ownership* of property. Income Tax, not being an expense incidental to earning profit, is therefore payable *out of the profits after they are made.* It is not a working expense, but when the income is ascertained, the Revenue requires its share of it, before being distributed, consequently the tax is an *appropriation* of profits and not a *charge* against profits. (**13**) Reserves or Sinking Funds of any kind, whether for general or specific purposes. (**14**) Loss of *Premises* or *Plant* by fire, &c. (**15**) Any average loss under a contract of insurance, beyond the actual amount of loss after adjustments. (**16**) Exhaustion of minerals, or sums expended in pit sinking. (**17**) Premiums paid for leases or on the repayment of debentures. (**18**) Preliminary Expenses in connection with the formation of a limited company or the setting up of any business, or expenses connected with the issue of debentures. (**19**) Legal charges in connection with the conveyance of real or leasehold property. (**20**) Loss on a *single* or *casual* transaction forming no part of the usual dealings of a trader, *e.g.*, if a person buys a house for £500 and sells it at a loss of £30, this is not chargeable against his profits.

241. The following **DEDUCTIONS are ALLOWED:** (**1**) Repairs of *Trade* Premises to the person assessed, but brewers cannot deduct from their trade profits the cost of repairs to tied houses let to tenants. (**2**) Supply or repairs of implements, utensils or articles employed not exceeding the sum usually expended for such purposes according to the average of three years preceding. (**3**) Bad Debts, a list of which must be submitted each year; while Doubtful Debts may be estimated (**4**) Rent of *Trade* Premises. If these belong the firm, then the *net* Assessment under *Schedule A*, may be deducted. Repairs of trade premises being allowed, it is not permissible to deduct the *gross* assessment, otherwise there would be a double deduction for repairs. (**5**) Rent or Value of any Dwelling-house or Domestic Offices *used for the purpose of business*, as a doctor or a dentist, such sum not exceeding two-thirds of such rent or value as the Commissioners shall allow. (**6**) **Wear** and **Tear** of Machinery, Plant,

and Ships, generally in the form of a percentage allowance on the *diminishing* value of the asset, *after* the average profits have been ascertained. No allowance is made for *Wear and Tear* in respect of any **additions** to Plant during the year preceding the year of assessment; *i.e.*, should the account stand at £5500 at the beginning of the year, and additions to the value of £250 be made during the year, the allowance would be on the £5500 only, *not* on £5750. (See par. 251.) Depreciation, as generally understood, is *never* allowed as a deduction for taxing purposes, and this term does not occur on the form, *Wear and Tear*, being the expression used in official documents. "Wear and Tear," and "Depreciation" are *not* equivalent terms, though the latter includes the former. The allowance is only intended to cover the cost of replacing *worn out* plant and machinery. Depreciation includes decrease of market value also, with which the Commissioners are not concerned. Suppose a machine is capable of working twenty years before being worn out, but is withdrawn at the end of fifteen years, the allowance is immediately discontinued. No deduction for Wear and Tear is allowable, if, when added to the allowances of previous years, the capital value would be exceeded. Should the profit of a given year be too small to admit of the deduction for Wear and Tear, the whole of the balance may be claimed from the assessment of the following year or years. A business man may write off in his own books what he thinks proper for depreciation, and may apply what standard or definition he pleases; but for the purposes of taxation a common standard, limited to Wear and Tear alone, is allowed in place thereof. The allowance for "Wear and Tear" is always a uniform rate fixed by the Commissioners of the district, who have absolute discretion in the matter, and this rate is adhered to at all appeals regardless of the sum claimed by the appellant; *e.g.*, in the Leeds and Huddersfield districts 7½% is allowed, while in the Dewsbury and Wakefield Districts the allowance is only 5%. Where rent is paid for the use of Machinery or Plant, and the burden of maintaining and restoring it

falls upon the *Lessor*, no deduction for Wear and Tear is allowable to the *Lessee*. In the case of ships there are also *fixed normal rates of allowances*, made on the prime or original cost and capital additions, from year to year, in respect of steamers 4%; sailing vessels 3%. A higher rate is sometimes allowed on steam trawlers, *e.g.*, 7½% on the diminishing value. If, upon *appeal*, the Commissioners should be satisfied that, from exceptional circumstances, the normal rate is insufficient, a special allowance may be granted. "Wear and Tear" is allowed to a Chemist upon his crucibles and retorts; to a Dentist upon his chairs and drills; to a Doctor upon his horses, carriages and appliances; to a Typewriting or Telephone Co. upon its machines; to a Telegraph Co. upon its cables; to a Hotel Co. upon its billiard tables, &c.; to a Coal Merchant upon his railway waggons (3%), carts (5%), horses (their actual loss of market value). (**7**) Local Rates and Taxes on business premises. (**8**) Insurance premiums paid to a company lawfully carrying on business in Great Britain and Ireland; including the premiums paid in respect of "Life and Accident" Insurance on the life of the tax-payer or his wife, or in connection with a contract for a deferred annuity, to an extent not exceeding one-sixth of the total income. Also any contribution in respect of superannuation payable by virtue of an Act of Parliament. An insurance premium is not *strictly* a *deduction*, but an *allowance*, as explained in pars. 244 and 251. The Surveyor of Taxes may require the last Receipts for the Premiums to be transmitted to him before sanctioning the allowance. (**9**) Loss of *Stock* by fire, &c., *not exceeding the amount in excess* of any sum recoverable under an insurance or contract of indemnity. (**10**) Damages and costs awarded upon a claim for subsidence of the surface owing to the workings of a colliery or quarry. (**11**) Loss by reason of embezzlement, false pretences, burglary, or larceny. (**12**) Bank Interest and Charges on a Trader's Current A/c. (not on a Loan A/c.), as the Banker pays the tax. (**13**) Directors' Fees, which are now personally chargeable against the directors under Schedule E, as

earned income. (**14**) Compensation levies paid by publicans or brewers to the statutory Compensation Fund. (**15**) Royalties on copyright productions, these being personally chargeable against the author or artist, under Schedule D, as earned income. (**16**) Trade, Sundry, or Miscellaneous Expenses, necessarily incurred in carrying on the business, but details must be supplied to the Surveyor, so as to satisfy him that nothing has been included under this general head which is not allowable.

242. The following are **not assessable :**—(**1**) Premiums received by a Company on the issue of shares, &c. (**2**) Profit on a single or casual transaction, forming no part of the usual dealings of a trader; such as a profit on the sales of stocks, shares, &c., although a Stock & Share Broker, being a *dealer* in such, would, of course, be chargeable with tax in respect of his profits. (**3**) Although Bank and other interest received is liable to tax, that received by an investing or depositing member of a Building Society is exempt, when the Society has compounded for the tax by making special arrangements with the Board of Inland Revenue.

243. ABATEMENTS are *not* allowed to *joint stock companies*, or any other associations, except unregistered Friendly Societies, whether incorporated or not, which are always assessed upon the amount of their actual profits, however small; but where an *individual's* income from all sources is within the undermentioned limits an abatement may be obtained. In computing the *total* income the assessable profits of a business, on a three years' average, should be taken *after* deducting Wear and Tear, but before deducting life assurance. Abatements and allowances must be deducted from the *earned* income first.

Where the income does not exceed £400, an abatement of £160.

Where the income is between		£400 and £500	an abatement of	£150
Do.	do.	£500 and £600	do.	£120
Do.	do.	£600 and £700	do.	£70

In the event of the Income Tax clauses in the Finance Bill, 1909, becoming law, an individual whose total income

does not exceed £500 will be entitled to a **special allowance** of the tax on **£10** for each **child** *under* the age of **16 years** at the commencement of each financial year, *i.e.*, the 6th April.

244. Life Insurance Premiums *cannot* be treated as a deduction for the purpose of claiming exemption or abatement, but a separate claim must be made by filling up "Claim B" at the foot of page 2 of the "Return for Assessment," as follows :—

Claim B. | **Claim for Allowance in respect of Life Assurance Premiums or Payments under Contracts for Deferred Annuities.**

Name of person on whose Life the Insurance or Annuity is effected.	Name of Assurance Company or Friendly Society.	Amount of Premiums claimed as an Allowance from the profits stated above
		£
John Prudence	*United Kingdom Temperance Provident Institution.*	*25*

I claim an allowance for the foregoing amount of Life Assurance Premiums, and I hereby declare that I have not deducted the amount of such premiums in arriving at the profits or gains entered on this form, nor have I claimed an allowance for the same premiums from any other assessment upon me.

JOHN PRUDENCE, Signature.

The income entered in a claim must be inclusive of premiums, which must *not* be treated as a charge against the profits of the business. The object of postponing the deduction of premiums until *after* the amount for assessment has been ascertained, is to *prevent* the taxpayer from obtaining a *larger* abatement than he would have been entitled to had he not effected such insurance. For instance, a taxpayer with a statutory income of £660, paying premiums on the life of himself or his wife to the maximum amount of £110—£550, is *not* entitled to an abatement of £120, because his income (before deducting the premium) exceeded £600 ; he can therefore only claim a deduction of £70. In computing the *total income* for *abatement* and *differential* purposes, any annual interest paid is deducted from the gross income, although such payments are not admissible deductions for assessment purposes. Should a taxpayer have neglected to claim an allowance in respect of Insurance Premiums, he is

nevertheless entitled to repayment of the tax on such premiums, not exceeding three years, on sending in a claim upon a special form, which may be had on application to the Inland Revenue.

245. THE FINANCE ACT, 1907 is noteworthy in four particulars, (**1**) the introduction of the principle of differentiation between earned and unearned income, (**2**) the obligation imposed upon employers to assist the Revenue in preventing evasion of the tax by employees, (**3**) the imposition of heavy penalties for making erroneous Returns or for failure to make a Return, even where the delinquent is not chargeable, (**4**) the deduction of tax on the payment of patent royalties. This Act provides, in Section 19, that any *individual* who claims and proves that his **total income**, from all sources, does *not exceed £2000*, and that any part of that income is **earned income**, shall be entitled, subject to the provisions of this section, to such relief from Income Tax as will reduce the amount payable on the earned income to the amount which would be payable if the tax were charged on that income at the rate of nine pence. The practical effect of this is that a person with a total *earned* income of £2000 would pay tax amounting to £75, as compared with £116 13s. 4d., being the product of the tax at 1/2 in the £, payable in respect of £2000 if *unearned* income, a total difference of £41 13s. 4d.

246. It should be noted, however, that by subsection 2 of Section 19, the **relief** given is in addition to and not in derogation of any exemption or other relief or abatement under the Income Tax Acts, *except* that where an individual is entitled to (*a*) any one of the usual abatements of £70, £120, £150, £160, or (*b*) to the deduction of life insurance or deferred annuity premiums, *relief* is given *only in respect of such earned income* (if any) as remains *after deducting therefrom the amount on which he is relieved of income tax by the abatements a and b*. In other words the benefit of 3d. in the £ conferred upon recipients of earned income is *not* extended to the amounts of the abatements allowed when the total

statutory income does not exceed £700, or in respect of premiums. For example.

Income earned £480, unearned £220, total	£700
Less abatement £70, insurance premium £100	170
Tax payable upon £220 unearned at 1/2 and £310 earned at 9d., total	£530

It will thus be seen that where an individual is in the receipt of both earned and unearned income, the abatements and allowances must be *deducted* from the *earned income first*, so that the relief afforded to those in receipt of both kinds of income is not so great as those whose entire income is earned.

247. EARNED INCOME, broadly speaking, is that for which the recipient has worked or rendered service, and is defined by subsection 7 of section 19 of the Finance Act as (*a*) any remuneration from any office or employment of profit held by the individual, or in respect of any pension, superannuation, or other allowance, deferred pay, or compensation for loss of office given in respect of the past services of the individual or of the husband or parent of the individual in any office or employment of profit, whether the individual or husband or parent of the individual shall have contributed to such pension, superannuation allowance, or deferred pay or not ; (*b*) any income from any property which is attached to or forms part of the emoluments of any office or employment of profit held by the individual ; (*c*) any income which is charged under Schedules B or D in the Income Tax Act, 1853, or the rules prescribed by Schedule D in the Income Tax Act, 1842, and is immediately derived by the individual from the carrying on or exercise by him of his profession, trade, or vocation either as an individual, or, in the case of a partnership, as a partner personally acting therein. The **profits** of **businesses** carried on by **sole traders** or **partners** are, of course, earned income, except in so far as it may be shown that any of the members of the firm are *sleeping* partners, in which case the profits of such partners will be taxable as *unearned* income. Tax will also be payable at the higher rate on the amount of any interest or annuity payable by a firm or an individual, except so far as such interest or

annuity is paid out of income of the firm or individual which has already paid tax at the higher rate. The profits of limited liability companies will be chargeable at the higher rate, as unearned incomes, even where it can be proved that the proprietorship and management are practically the same as that of the firms from which they sprang, or that the limited company is really a "One-man company." This is because a limited company is not an *individual*.

248. Partners cannot claim *separate assessment* in order to obtain **Exemption, Abatement,** or **Relief** in respect of earned income, when their share of income is less than the prescribed limit, but the appropriate allowances will be made against the assessment on the firm. A person carrying on two or more distinct trades is entitled to set off a loss on one against a profit on another. Suppose A, B, C, D, E, F, G, are partners, their only income being that from the firm, with a joint average assessable profit of £7000, the assessments would work out as shown below; A's share of profits £3350, being chargeable with the higher rate of duty, the six remaining partners paying the lower rate, by virtue of the relief granted to an individual taxpayer in respect of his *earned* income, when his *total* income does not exceed £3000 per annum.

Partners	A	B	C	D	E	F	G
Proportion of Profits	$\frac{67}{140}$	$\frac{30}{140}$	$\frac{13}{140}$	$\frac{11}{140}$	$\frac{9}{140}$	$\frac{7}{140}$	$\frac{3}{140}$
Amount	£3350	£1500	£650	£550	£450	£350	£150
Abatement	Nil	Nil	70	120	150	160	Exempt

Assessment will be on the Firm thus :—			£7000	
Less G's Income, Exempt	- -	- £150		
Less Abatements to C, D, E, F,	- -	- 500	650	£6350
Amount of Tax @ 1/3 on	- -		3350 =	195 8 4
Amount of Tax @ 9d on	- -		3000 =	112 10 -

249. The **income** of a **married woman** living with her husband is deemed to be his statutory income, but where the **joint income** does not exceed **£500,** and includes *earnings* of the wife, *such earnings* are deemed to be *her* income, and the remainder to be the husband's :—

Profits of John Husbandman, Grocer..... £300
Salary of Sarah, his wife, Teacher 90
Income derived from wife's investments.... 50 = £440

The wife's salary is exempt, thus leaving the husband's income at £350, which is subject to an abatement of £160; the tax being payable on the net amount of £140, presuming that the tax on the income from investments had been deducted at the source. If, however, their united income, from whatever source exceeds £500, the husband and wife become one, and she cannot claim either exemption or abatement separately. Any claim for repayment of tax on a wife's income must be made by the husband, unless she is separated from him.

250. In the autumn the Clerk to the Commissioners issues a **Notice of First Assessment**, showing the amount at which one has been assessed, irrespective of whether a Return has been made or not. If the amount stated agrees with the Return, all is well; but should it be excessive, written **notice of appeal,** stating the grounds thereof, may be given to the Surveyor within ten days of date of the assessment. It does not follow, however, that a personal appearance before the Commissioners is necessary. It is first usual to seek an interview with the Surveyor and explain the cause of dissatisfaction, producing the accounts prepared on the occasion of compiling the Return, in support of the case. Should the trader succeed in satisfying the Surveyor, the latter will place the accounts before the Commissioners, and the appeal will be allowed. It is only when the Surveyor and the appellant cannot agree that a personal attendance becomes necessary on a day of which due notice is given. A **copy** of the **accounts** upon which the Return is based, signed by the appellant, should be transmitted to the Surveyor seven clear days before the day of appeal. The appellant is entitled to be represented before the Commissioners by a barrister, solicitor or an accountant. If dissatisfied with the decision of the Commissioners, such dissatisfaction must be expressed at the conclusion of the hearing, particularly if it be the intention to appeal. Income Tax is **payable** on the 1st January in each year, and should be remitted to the authorised collector, by means of a Money Order drawn in favour of the *Commissioners of*

Inland Revenue, if the amount does not exceed £40; in other cases a cheque similarly payable and crossed *Account of Payee only*, and marked *Not Negotiable*, should be used.

251. In order to **facilitate** classroom work when dealing with **exercises** on the subject of Income Tax, the **allowances** for Insurance Premiums and Wear and Tear of Machinery should always be **deducted** *after* the average has been ascertained. The amount of Life assurance premiums claimed should be the *actual* amount payable in the year of assessment. The wear and tear allowance must be based on the value of the machinery and plant at the beginning of the year of assessment. It must not be forgotten that while the Claim for Insurance Premiums (not exceeding one-sixth of income) is sure to be allowed, this is not so with reference to the Claim for Wear and Tear, in regard to which the Commissioners may "allow such deduction as they may think just and reasonable." If the *total income* does not exceed £700 the proper abatement must be allowed. Students should, of course, see a copy of the buff form, *Return for Assessment under Schedule D*, and note the principal matters on each page. On the next page are given some particulars from which a **Statement** is compiled, showing the taxable profit. In addition to the special exercises on Income Tax it is excellent practice, after having worked an ordinary exercise containing Trading and P/L. A/cs., to prepare a short Statement showing the Income Tax adjustments in respect thereof, although it be for one year only.

Example 1. (*Key on next page.*)

PARTICULARS from PROFIT & LOSS A/cs. as shown in the Private Ledger of Messrs. Taxpayer & Co.

Year ended 31st December	1907	1908	1909
Net Profit	£5000	..	£3000
Net Loss	..	£100	..

(*Example continued on next page.*)

(Continued.)

1.	Life Insce Prem. charged to Drawing A/c.	£50	£50	£50
	The following amounts had been charged or credited before arriving at the above P. & L.			
2.	Interest on Mortgage	100	100	100
3.	Interest on Capital	300	340	290
4.	Subscriptions & Gifts	20	25	25
5.	Paid Ground Rent	40	40	40
6.	Depreciation of Machinery	76	68	66
7.	do. Buildings	25	23	21
8.	Income from Farms and Cottages	450	410	415
9.	Income on Investments	90	107	124
10.	Partners' Salaries	500	500	500
11.	Bank Interest and Charges	76	93	58
12.	Repairs of Premises and Plant, etc.	40	52	38
13.	Fire Insurance	10	10	10
14.	Paid Income Tax, Schedule D	10	10	10
15.	Paid Income Tax, @ 1/- in respect of Business Premises, Schedule A	15	15	15

Answer to Example 1.

Schedule D, year ending 5th April, 1911.

STATEMENT, dated **1st June, 1910,** of **Profits** and **Losses** of *Messrs. Taxpayer & Co.* for Income Tax purposes for the three years ended 31st December, 1909.

	1907	1908	1909
Profit as per Books	£5000		£3000
Add to profits (deductions not allowed)			
2. Interest on Mortgage	100	100	100
3. Interest on Capital	300	340	290
4. Subscriptions and Gifts	20	25	25
5. Ground Rent	40	40	40
6. Depreciation of Machinery	76	68	66
7. Depreciation of Buildings	25	23	21
10. Partners' Salaries	500	500	500
14 and 15. Income Tax	25	25	25
	6086	1121	4067
Loss as per books		100	
	6086	1021	4067
Deduct from profits (8) Income from Farms, &c. (9) Income from Investments, (14) Annual Value of Business Premises, £300	840	817	839
	£5246	£204	£3228

£5246 + £204 + £3228 ÷ 3, £2892 13 4, being the **Average** or **Statutory** income to be stated on page 2 of the Return.

In the above **Statement** *no deductions* must be made for Depreciation of Machinery and Life Premium, but **Allowances** must be claimed on page 2 of the Return. Presuming that the Commissioners allowed the £66 for Depreciation of Machinery, the *net* assessment would be :—

Total.....		£2892 13 4
Less Wear and Tear of Machinery	£66	
Less Life Assurance Premium	£50—	116 - -
Net..		£2776 13 4

252. DIMINUTION OF INCOME. By subsection 1, section 24 of The Finance Act, 1907, the benefits derived by taxpayers whose profits show a tendency to diminish, and who, consequently, were formerly entitled to the repayment of tax, will no longer be entitled to this relief, except as provided by subsection 2 of section 24, which runs as follows :—" Where a person charged or chargeable with income tax in respect of any profession, trade, or vocation which has been set up or commenced within the period of three years upon the average of which the profits or gains are to be taken under the Income Tax Acts, or within the year of assessment, proves at the end of the year of assessment to the satisfaction of the Commissioners by whom the assessment has been or can be made that the actual profits or gains arising from the profession, trade, or vocation in the year of assessment fall short of the profits or gains as computed in accordance with those Acts, he shall be entitled to be charged on the actual amount of the profits or gains so arising instead of on the amount of the profits or gains so computed, and, if he has paid the full amount of the tax on the profits or gains so computed, be entitled to repayment of the amount overpaid." It will, therefore, be seen that in the case of a **new business**, where the profit is assessed for the first year, say at £600, the trader will be required to pay tax upon that sum and will probably be assessed in advance for the second year at the same figure. Should the profit of the second year, however, be proved by the taxpayer to be only £400 he

will be entitled to a repayment of the tax upon the difference—£200. But as soon as the concern is three years old, the power to obtain such a revision at the end of the assessment year ceases. If the profit for the second year should be £1000 instead of £600 the Crown have not any power to claim tax on the increase, except through the medium of the averages of subsequent years.

253. DISCONTINUANCE of BUSINESS. Subsection 3 of section 24 of The Finance Act, 1907, provides that "Where a profession, trade, or vocation is discontinued in any year, any person charged or chargeable with income tax in respect of that profession, trade, or vocation, shall be entitled to be charged on the *actual* amount of the profits or gains arising from the profession, trade, or vocation in that year, and shall also, if he proves to the satisfaction of the Commissioners, by whom the assessment has been or could have been made, that the total amount of the income tax paid during the three previous years in respect of that profession, trade, or vocation, exceeds the total amount which would have been paid if he had been assessed in each of those years on the actual amount of the profits or gains arising in respect of the profession, trade, or vocation, be entitled to repayment of the excess." This section is intended to relieve the taxpayer of the hardship caused by the system of averaging the profits of a *declining* business, which is to be *discontinued.* For example, a trader decides to close his business, on finding that his profit for the year of assessment is only £400, the statutory profits of the three preceding years being as follows :—

£2500 + £1900 + £1405, average £1935 @ 9d. =	£72	11	3
£1900 + £1405 + £1000, average £1435 @ 9d. =	53	16	3
£1405 + £1000 + £805, average £1070 @ 9d. =	40	2	6
Total Tax paid on *Averages*....	£166	10	-
Total Tax payable on *actual* profits realised during the three years immediately preceding the year of discontinuance—£1405 + £1000 + £805 = £3210 @ 9d. = ...	120	7	6
Excess of Tax repayable....	£46	2	6

254. PARTNERS and INTEREST. It should be remembered that the **Income Tax** is a personal tax, consequently when the capital of **partners,** their salaries or their share of profits, are *unequal*, it is necessary that the tax should be deducted separately from the interest on capital, salaries and profits, otherwise a preferential treatment is accorded to the partner with the greater capital or larger share in the profits. For example :—

Profit of Brown & Robinson, for Income Tax Purposes at		£2612
Deduct A. Brown's year's interest on £2400 @ 5%..	£120	
Deduct G. Robinson's year's interest on £1200 @ 5%	60—	180
Profit for division equally.....		£2432

Although the *firm* pays the tax on the £2612 the following adjustments must be made as between the partners :—

Brown should pay tax upon ..	£120		
also on half share of profit..	1216	£1336 @ 9d...	£50 2 -
Robinson should pay tax upon	£60		
also on half share of profit..	1216	£1276 @ 9d...	£47 17 -
			£97 19 -

The **Interest A/c.** would be debited in the usual way with the total of the Interest on Capital—£180, Brown's Current A/c. being credited with £120 *less* tax £4 10—£115 10, and Robinson's Current A/c. credited with £60 *less* tax £2 5—£57 15. The "Commissioners of Inland Revenue A/c." would be credited with the tax on the interest—£6 15, also with the tax on the "Profit for division equally, £2432" at 9d.—£91 4 -, the latter amount being debited to the P. & L. A/c. The Commissioners' A/c. is closed by the posting from the Cash Book on payment of a tax.

Example 2. Brown, Jones, and Sykes are in partnership and share profits as follows :—Brown one-half, Jones one-third, Sykes one-sixth. The Profit & Loss A/cs. of the past three years showed in 1907 a profit of £6000; 1908 a loss of £1179; 1909 a profit of £5000. Before arriving at the above figures, the following had been charged in the accounts of the firm :— [P.T.O.]

	1907	1908	1909
1.—Interest on Capital	£250	£250	£250
2.—Depreciation of Patents	150	150	150
3.—Partners' Salaries	750	750	750
4.—Income Tax, Schedule A	20	20	20
5.—Repairs of Implements	25	36	28
6.—Wear and Tear of Machinery	50	60	70
7.—Local Rates	18	23	20
8.—Donation to Technical College ...		...	100
9.—Subscription to Workpeople's Infirmary	25	25	25
10.—Chief Rent	10	10	10

Answer to Example 2.

	1907	1908	1909
Actual Profit as per Profit & Loss A/c. ...	£6000		£5000
Add the following items not allowed by the Commissioners :—			
Interest on Capital	250	£250	250
Depreciation of Patents	150	150	150
Partners' Salaries	750	750	750
Income Tax, Schedule A	20	20	20
Wear and Tear of Machinery	50	60	70
Donation to Technical College			100
Chief Rent	10	10	10
	£7230	£1240	£6350
Deduct Annual Rent of Premises as per Schedule A @ 1/- in the £	400	400	400
Statutory Profit for 1907 and 1909 ...	£6830		£5950
		£840	
Loss as per P. & L. A/c. for 1908		1179	
		£339	
Statutory Loss for 1908			
Statutory Profit for 1907	£6830		
,, ,, 1909	5950		
	£12780		
Less **Statutory Loss** for 1908		339	3)£12441
Average Profit of the firm for the 3 years 1907-8-9			£4147
Less amount claimed for Wear and Tear of Machinery			70
		Net Assessment...	£4077

Brown's share of Profit = one-half of £4077 = £2038 10 -. This amount being over £2000 would be assessed at 1/- in the £.

Jones' share of Profit = one-third of £4077 = £1359. This amount representing *earned* income, would be assessed at 9d. in the £, provided that his total income did not exceed £2000.

Sykes' share of Profit = one-sixth of £4077 = £679 10 -. This amount being under £700 Sykes is entitled to an abatement of £70 (unless his *total* income exceeded £700), the balance of £609 10 - being assessed at 9d. in the £.

255. Inasmuch as the **payer** of **interest** (other than Bank Interest), **annuities, patent royalties,** etc., is specially empowered to deduct tax at 1/2 in the £, when making such payments, it is important to note that if the payer's income is only chargeable at the *lower* rate,

he must **account** to the **Revenue** for the **difference** between the *higher* and *lower* rates in respect of the tax deducted. For instance, a taxpayer with a salary of £400 a year, which is his *total* income, has borrowed £500 at 5%. On payment of the interest he is empowered to deduct tax at 1/2 in the £, and he thus pays the money lender only £23 10 10 per year. As the taxpayer's total income is *earned*, and he is entitled to an abatement of £160, the tax payable by him will be at the lower rate of 9d. in the £=£9 on £240, **plus 10/5,** being the *difference of 5d. in the £ on £25*, between the earned and the unearned rate of tax, deducted by him on payment of the year's interest to the lender.

256. Mining and other **royalties** issuing out of **land,** being *unearned* income, are always taxable by *deduction* at the *higher* rate. **Patent royalties** are also taxable by *deduction* at the *higher* rate, but the individual patentee or inventor is entitled to **repayment** of the *difference* between the higher and lower rates if he can prove that his total income does not exceed £3000 per annum. Patents are, however, usually worked by limited companies, who are not entitled to any relief whatever on earned income. **Literary royalties** which are, of course, assessable as *earned* income, are *not*, as such, taxable by deduction, but are personally chargeable against the author under Schedule D, and subject to average. Authors should not allow publishers to deduct any tax whatever on the payment of Royalties.

257. Repayment of **Tax,** deducted on the payment of interest, dividends and rent, may be obtained, for a period not exceeding three years, by any individual, who can prove that his total income does *not* exceed £160 per annum. A taxpayer whose income is between £160 and £700, solely or chiefly derived from investments, should be careful to claim a repayment of tax in respect of the statutory abatement to which he is entitled. For example, take the case of John Smith, a taxpayer, with three children under 16 years of age, whose total income of £500 per annum is derived from bank shares. The

tax at the higher rate of 1/2, amounting to £29 3 4, is paid by the bank. As Smith is entitled to an abatement of £150, as well as an allowance of £30 in respect of his three children, he should claim a repayment of £10 10 0. Corporations and Companies when remitting interest and dividends to stockholders and shareholders do so by means of a combined "Dividend Notice and Warrant," perforated across the middle, so that the Warrant may be detached for cashing. The following is a specimen of the notice or voucher, and this must be attached to any Form of Claim for repayment of tax in respect of the dividend it represents :—

The Castner Kellner Alkali Company, Limited.

DIVIDEND NOTICE AND WARRANT (17).

13, Abchurch Lane, London, E.C.,
28*th November*, 1910.

Herewith I beg to hand you a Warrant on the Bankers of the Company for Dividend at the rate of £16 per cent. per annum for the six months ending 30th September, 1910.

On *200* Shares of £1 each	*£16 - -*
Less Income Tax at 1/2 in the £..	*18 8*
	£15 1 4

I hereby certify that the Income Tax deducted will be duly paid to the proper official for the receipt of Taxes.

By order,
PERCY S. COURT,
Secretary.

To *John Jones, Esq.*

Application should be made for a **form** of **claim** to the local assessor of Income Tax, or to the *Secretary, Inland Revenue* (*Claims Branch*), *Somerset House, London, W.C.* This should be filled up and returned together with the **vouchers** received from the Corporations, Companies, or persons who have deducted the tax. **No dividends** are ever paid **free of Income Tax.** The statement that "the dividends are free of Income Tax" merely indicates that the *gross* dividend declared will be

paid to the shareholder, who will *not* be required to pay any further tax upon this source of income, as the company has already paid the tax upon the whole of the profits earned. No *individual* shareholder is ever called upon to pay Income Tax upon dividends received from a public company carrying on business in the United Kingdom ; on the contrary he is entitled to the return of all such dividends, as well as probably to some abatement, when his income exceeds £160, but does not exceed £700.

Extract from **Report** of **Income Tax Committee**, showing special percentage **Rates** of **Allowance** for "**Wear** and **Tear**" of **Plant** and **Machinery**, under **Schedule D.**

	%	
Boot Trade:		
Leicester	7½	On original cost.
Brewers:		
Cardiff	5	On diminished value.
Collieries:		
Cardiff	5	On diminished value.
Coal Exporting Plant:		
Cardiff	5	On diminished value.
Dyers & Trimmers:		
Leicester	7½	On original cost.
Leicester	10	If justified on enquiry.
Engineers:		
Leicester	7½	On original cost.
Cardiff	5	On diminished value.
Hosiery:		
Leicester	7½	On original cost and higher rate if justified on enquiry.
Nottingham	5	On fixed machinery.
Lace Making:		
Nottingham	5	On original cost.
Nottingham	7½	On diminished value.
Looms & Spinning Machines:		
Huddersfield	5	On motive plant.
Huddersfield	7½	On spinning, dyeing, carding, and finishing machinery.
Oldham	5	On engines, boilers, and gearing.
Oldham	7½	On spinning machines.

	%	
Newspaper & Printing:		
Dundee..	10	On printing machinery running double shafts.
Glasgow	6	On ruling and bookbinding machines.
Glasgow	6	On type, linotype machines, &c.
Glasgow	7½	To include renewal of type not charged to Revenue.
Nottingham	8½	On diminished value.
Cardiff	5	On diminished value.
Cardiff	7½	On diminished value. For newspaper printing machines.
Cardiff	15	On type.
Sewing Machines:		
Glasgow	10	On machines used in Clothing Factories. Replacements all charged to capital.
Nottingham	10	
Ship Repairing & Shipbuilding Plant:		
Cardiff	5	On diminished value.
Spinning Machinery & Woolcombs:		
Bradford	7½	On diminished value, when machinery running day and night. Allowance reduced when heavy amounts charged for repairs and renewals.
Tramways:		
Glasgow	4½	Average over all: Poles & rosettes, Depôt fittings 2% Ducts, cables, section boxes 3%. Telephones, electric power plant, sub-stations plant, rolling stock furniture 5%. Car works machinery, permanent way plant, punches 7½%.
Weaving:		
Bradford	5	On looms.
Blackburn	5	On fixed boilers, engines and fixed machinery.
Blackburn	7½	On loose machinery, &c.
Huddersfield	7½	On spinning, weaving, carding, finishing, and condensing machinery.
Huddersfield	5	On motive plant, shafting, &c.

Income Tax Exercise 1.

Prepare an Income Tax return showing the amount payable under Schedule D for the year ending 5th April, 1908, from the following particulars :—Net Balance of P. & L. A/cs., 1904, Profit £1500; 1905, Loss £400; 1906, Profit £900. The following had been debited to the A/cs. before arriving at these balances :—Int. on a Mortgage of £4000 at 4% each year, Bank Int., 1904 £30, 1905 £40, 1906 £20, Int. on Cap. £500 each year. An amount of £100 had been written off each year on A/c. of Goodwill, and the following amounts had been charged for Income Tax :—1904 £75, 1905 £45, 1906 £60.

Answer.—*Profits* £2335, £405, £1720; *Average* £1486 13 4.

Income Tax Exercise 2.

John Jones died on 31st March, 1907, without paying the Income Tax due 1st Jan., 1907. What amount should you, as Executor, pay on the following private A/c. for the year up to his decease :—

Premiums on Life Assurance	£300	Dividends from Companies from which tax has been deducted	£1000
Interest on Loan after deducting tax	200	Interest on Bank Deposits	250
Paid off Loan	2500	Rents upon which tax has been allowed under Schedule A	500
House Rent	150	Interest on Mortgages from which tax has been deducted	800
Living Expenses	1500	Salary as Managing Director of Companies	2000
Charities	100	Share of profits on a joint venture in a shipment of goods to Siberia	1000
Invested	200		
Losses on speculations on Stock Exchange	600		

Answer.—*Tax payable on* £2950.

Income Tax Exercise 3.

A Colliery Proprietor's books showed profits in 1903, £2000; 1904, £1500; 1905, £8000; 1906, £6500; 1907, £3000. In arriving at these results, £500 for his services, £800 for Int. on Cap., £250 for Income Tax paid, £50 for Charities, £750 for Mine Rents or Royalties, £80 Contribution to the Colliery Owners' Defence Association, £350 for Depreciation of Plant, and £200 for Exhaustion of the Freehold, had been charged each year, and in 1904 a payment of £35 for legal expenses on the purchase of the freehold.

Answer.—*Profits* £4980, £4515, £10980, £9480, £5980, *Average* £7187.

Income Tax Exercise 4.

Clay, Fry, and Hill carried on a business, sharing results equally. They owned their own works, which were assessed for property tax at £800. Their books showed the following profits :—1905, £2600; 1906, £3000; 1907, £2500; in arriving at which, Salaries of partners £900, Interest on Capital—Clay on £15000, Fry on £7000, and

Hill on £5000 at 5%, Bank Int. £250, Depreciation of Buildings £400, and of Machinery £750 (7½%), Income Tax paid £150, and Property Tax £33, were charged, and Dividends from investments £95 were credited, each year, and £50 loss on sale of shares was charged in 1907. Clay's life was insured for £1000, upon which *he* paid a premium of £30 a year. Make up the A/c. for Income Tax 1908-9, and apportion to each partner the amount upon which tax would be payable. The rate of tax was 1/- in the £.

Answer.—*Profits* £5428 ; £5828 ; £5378 ; *Average* £5544 13 4.

Income Tax Exercise 5.

Dean, Hall, and Thorp carry on in partnership the business of tailors, sharing profits after charging partners' salaries and int. on cap., equally. They are entitled to 5% int. on cap., Dean £2000, Hall, £1000, Thorp £500. They draw as salary per week - Dean £5, Hall £3, Thorp £4. The net profits of the business, after debiting to P. & L. A/c. the above items, and also Loan Int. £50, Depreciation of Freehold Premises owned by the firm £50, Bank Int. and Charges £35, and Depreciation of Tools and Machines £25, are as follows :—1906, £600 ; 1907, £615 ; 1908, £750. The net assessable value of the firm's premises is £50. Income Tax, both Schedule A and Schedule D, is charged directly to the partners and not passed through the P. & L. A/c. Make out A/c. showing the amount upon which the firm should be assessed under Schedule D for the year 1909-10. Show the amount upon which each partner would be liable to assessment, and state what amount of abatement each would be entitled to, none of them having any other income.

Answer.—*Profits* £1474 ; £1489 ; £1624 ; *Average* £1529.

Income Tax Exercise 6.

King, Barr, and Lord are partners. Net profits, after paying int. on cap. and management salaries of £200 to King and £300 to Barr are divided equally. Lord put in £6000, on which he receives 5%, King and Barr put in no cap. Lord has a private income of £2000 per year, in respect of which he makes a separate return to the Income Tax Authorities, leaving the tax on his income from the business to be settled by the firm. King and Barr have no private income. The firm returns its assessable profits which are accepted by the Surveyor, for the year to *31st December*, 1906, £900 ; 1907, £1200 ; 1908, £1800 ; 1909, £2500. What tax was payable by the firm in respect of the year ended 5th April, 1910 ? State how much of the tax paid was chargeable to each partner.

Under the circumstances enumerated above, Barr pays an annual premium of £100 on a policy of his life. King is uninsured. Upon what amount is tax payable by each member of the firm ?

Answer.—*Average* £1300 ; *Tax paid by King on* £206 13 4 ; *Barr on* £238 17 10 ; *Lord on* £466 13 4.

MISCELLANEOUS EXERCISES.

Exercise 70 (*Chartered Accountants*).

Prepare Trading, P/L. A/cs. and B/S. of Tyler & Co. from the following T.B. and particulars as on 30th June, 1900. **Stock** 30th June, 1900, £3750; Rent, £200 a year, is charged to 31st March, 1900; repairs to engine, estimated at £90, a/c. not yet received. Provide 2½% on book debts for discounts, £150 for estimated loss by bad debts, and £20 for int. accruing on loan.

Dr. Balances—		**Dr. Balances** continued—	
Sundry Debtors	£5140	Discounts and Allowances	£258
Bills Receivable	217	Coal, Coke and Engine Exs.	264
Advance on Loan	500	Carriage	206
Cash in hand	44	Incidental Expenses	151
Stock at 30th June, 1899	3020	Commissions	50
Purchases	7386	Bad Debts	97
Wages, productive	4839	**Cr. Balances**—	
Wages and Salaries unproductive	1045	Sundry Creditors	2692
Travelling Expenses	503	Bills Payable	658
Int. and Bank Charges	173	Bank Overdraft	1065
Stationery, Printing & Stamps.	284	Sales	16406
Rates, Rents and Insurance	222	Rents & Steam Power (recd)	329
		Capital	3249

Answer.—*Gross Profit* £4705; *Net* £1592 5; *Cap.* £4841 5.

Exercise 71 (*Chartered Accountants*).

Prepare Trading, P/L. A/cs. and B/S. of Watson & Co. from the T.B. and particulars given below on 30th June, 1901. **Stock** at the end of the year, £8550. Make provision of 5% on debts for dis., and £200 for loss by bad debts.

Dr. Balances—		**Dr. Balances** continued—	
Drawing A/c.	£420	Plant and Machinery	£3500
Stock, 30th June, 1900	8000	Sundry Debtors	4300
Purchases	9500	Land and Premises	6890
Wages	6100	Cash	80
Carriage and Freight	1200		
Coal, Coke	600	**Cr. Balances**—	
Travelling Expenses	450	Capital	14960
Rents, Rates, Insurance	300	Bank Overdraft	145
Trade Expenses	500	Sales	20000
Discounts	65	Sundry Creditors	6800

Answer.—*Gross Profit* £3750; *Net* £1430; *Cap.* £15,970.

Exercise 72 (*Chartered Accountants*).

Prepare Trading, P/L. A/cs. and B/S. from the following T.B. of Brown & Jones' books, the **Stock** at the close of period being £5294. Share profits or losses equally.

Dr. Balances—		**Dr. Balances** continued—	
Brown's Withdrawals	£732	Repairs and Renewals	£372
Jones's Withdrawals	564	Interest and Discount	932
Purchases	25261	Bills Receivable	640
Investments	732	**Cr. Balances**—	
Wages	3640	Creditors	9376
Debtors	11825	Thos. Brown's Capital	15239
Rent	520	Edwin Jones' Capital	12658
Professional Charges	75	Dividend on Investments	72
Cash	32	Loan	400
Land and Buildings	20698	Bankers	825
Machinery	8342	Bills Payable	2364
Salaries	967	Depreciation Fund	2459
Office Expenses	235	Sales	32674

Ans.—*Gross* £9067; *Net* £6038; *Cap. T.B.* £17526; *E.J.* £15113.

Exercise 73 (*C.A.*)

Prepare Trading A/c., P/L. A/c., and B/S. of Brown & Dean from the following T.B. on 31st Dec., 1901. **Stock** £6560. Alfred Brown takes two-thirds and Charles Dean one-third of net profit. The partners are to be credited with 5% int. on the amount at credit of their Cap A/c. as from previous B/S.

Dr Balances—		**Dr. Balances** continued—	
Alfred Brown's Drawing A/c.	£1400	General Expenses	£1430
Chas. Dean's Drawing A/c.	800	Cash at Bank	2600
Furniture	440	Cash in hand	20
Debtors	6280		
Purchases	43680	**Cr. Balances**—	
Salaries	820	A. B. Cap. A/c. (1st Jan., 1901)	4600
Wages	4380	C. D. Cap. A/c. (1st Jan., 1901)	2800
Stock	7890	Creditors	7630
Rent and Rates	760	Sales	54970

Ans.—*Gross* £6080; *Net* £2700; *Cap. A.B.* £5230; *C.D.* £3040.

Exercise 74 (*C.A.*)

On 1st Jan., 1901, the partners' cap. (which bears int. at 5% per ann.) was thus :—Alf. Addy, £9652; Ben Burt, £8421; Cecil Caine, £5238; and Dan Dodd, £2226. A.A. lends the firm £4000 on 1st July, 1901, and B.B. £2000 on 1st Oct., 1901, both at 5% per ann. The credit bal. of the P. & L. A/c., after debiting with all charges except int. on partners' a/cs., was £6814 17s. The partners withdraw during the year :—A.A. £520 (interest accrued thereon £24); B.B. £430 (int. £16); C.C. £350 (int. £12); D.D. £230 (int. £10). Prepare P. & L. A/c., and adjust the partners' a/cs. as on 31st Dec., 1901; they receiving profits or being charged with losses thus :—A.A. one-half; B.B. one-fourth; C.C. one-eighth; D D. one-eighth.

Answer.—*Interest on Capital, A.A.* £480 12; *B.B.* £415 11; *C C.* £256 8; *D.D.* £109 16. *Net Profit* £5427 10s.; *Cap. A.A.* £12,426 7s.; *B.B.* £9788 8s. 6d.; *C.C.* £5822 16s. 9d.; *D.D.* £2784 4s. 9d.

Exercise 75 (*C.A.*)

Hy. Pratt, Fred Jones, and John Todd entered into partnership on 1st July, 1901. Pratt brought in as cap. £3000, Jones £2000, and Todd £1000. They were to share profits in the proportion of three-sixths, two-sixths, and one-sixth, but as Jones and Todd were the working partners they were to be credited at the close of each current year, by way of salary, with the respective sums of £250 and £150. Pratt was to be allowed to draw each year as against profits £500, Jones £350, and Todd £250, but int. at 5% was to be charged on such Drawings; the deed also provided that Jones and Todd should have the right to bring in extra cap. not exceeding £1600 each, and that they were to be credited with 5% int. on all capital. On closing books 30th June, 1902, partners had drawn :—

Pratt,		*Jones*,		*Todd*,	
1st Sept.,	£100.	1st Augt.,	£80.	1st Augt.,	£60.
1st Nov.,	150.	1st Sept.,	70.	1st Sept.,	50.
1st Dec.,	200.	1st Oct.,	100.	1st Nov.,	80.
		1st Dec.,	85.	1st Dec.,	20.

On the 1st Oct., Jones brought in as additional cap. the sum of £250, and Todd £400. On making up the books on the 30th June, 1902, and before either the salary or int. to partners had been dealt with, the bal. to the credit of P/L. stood at the sum of £2200. Make the necessary closing entries, and prepare Cap. and P/L. A/cs. showing the exact position of the partners on 1st July, 1902.

Answer.—*Net Profit* £1511 10s. 5d., *Cap. H.P.* £3440 15s. 2d., *F. J.* £2765 8s. 1d., *J. T.* £1648 16s. 9d.

Exercise 76 (*C.A.*)

Prepare Trading, P/L A/cs. and B/S. of Arthur Berry, from the following, for the year ending 30th June, 1902.

Cap. of A. B., 1st July, 1901,	£15000.	Drawings of A. B. ..	£1500
Stock-in-trade, 1st July, 1901,	£8000.	Purchases	24000
Consignments made by A. B. at cost, and still unsold			1000
Wages, £9000; Cash Balance			2060
Rents, rates and taxes, and trade exs. at works			500
Fire inc. of which £35 represents premiums paid in advance			100
Sales (after deducting returns) including consignments.....			41000
Rents of cottages belonging to A. B. received during the year			150
Advances on consignments, £500; Creditors on open a/cs. ..			3000
Plant and machinery, depreciation to be provided at 10% ..			4000
Commission to travellers, £1200; Discount Dr. balance			1250
B/R. in hand at 30th June, 1902, £4000; B/P. current			2500
Office rent and salaries of clerks, including incidental exs. ..			900
Loan from bankers, int. accrued, £25, to be added.....			2200
Debtors (out of which reserve £400) for doubtful debts.....			6900

Int. on cap. at 5% per ann. to be provided. **Stock £7500.**

Answer.—*Gross Profit* £7500; *Net* £2160; *Cap.* £16410.

Exercise 77 (*C.A.*)

Thos. Thacker carried on business for a number of years as a cloth manufacturer, and on 1st July, 1901, he agreed to take his manager, Alfred Barker, into partnership. Thacker's books were made up to that date and his position was as follows: **Dr. Balances**: Freehold Mill £12500; Machinery, Utensils, &c., £2500; Office Furniture £200; Stock on hand £1750; Book Debts £1050; **Cr. Balances**: Yorkshire Bank £1425; General Crs. £975; Thacker's Cap. £15600. The articles of partnership provided that 5% was to be allowed on the partner's cap., and that there should be written off each year as depreciation 2½% from the freehold, 7½% from the machinery and utensils, and 5% from office furniture and books debts. Thacker was to take three-fourths and Barker one-fourth of the net profits. On the 1st of each month Thacker was to draw as against profits £62 10, and Barker £20 16 8. On the 30th June, 1902, **stock**

was taken at £2850, and the T.B. of the books was as follows :— Make closing entries, having due regard to the provisions of the articles of partnership, and prepare the P/L. A/c. and B/S.

Dr. Balances—		**Dr. Balances** continued—	
Freehold Mill	£12500	Travelling Expenses	£100
Machinery and Utensils	2500	Thacker's Drawings	750
Office Furniture	200	Barker's Drawings	250
Book Debts	1850		
Wages and Salaries	3150	**Cr. Balances**—	
General Expenses	95	Yorkshire Bank	950
Freight and Carriage	105	General Creditors	1450
Interest and Discount	70	Thacker's Capital	15600
Taxes	30	Goods A/c.	3600

Ans.—*Profit* £1517 10 ; *Cap. T.T.* £16768 2 6 ; *A.B.* £129 7 6.

Exercise 78 (*C.A.*)

Make the necessary closing Journal Entries, and prepare Trading A/c., P/L. A/c. and B/S. of Samuel Johnson's books as on the 31st Dec., 1902, when the T.B. stood as below. **Stock** £866.

Dr. Balances—		**Dr. Balances** continued—	
Stock, 1st January, 1902	£902	Wigan Banking Co.	£523
Purchases	4868	Trade Debtors	2549
Salaries	226	Loan Debtor, William Smith	63
Wages	700	Drawing A/c.	400
Carriage and Freight	152		
Rents, Taxes and Insurance	526	**Cr. Balances**—	
Office Expenses	194	Capital A/c.	3000
Discount and Allowances	346	Trade Creditors	399
Bad Debts	23	Sales	8073

Answer.—*Gross Profit* £2317 ; *Net* £1002 ; Cap. £3602.

Exercise 79 (*C.A.*)

Thos. Hymer and Wm. Stobart carried on business in Co-Partnership as Millers, each having an equal share in the Profits ; and on the 31st Dec., 1901, their Cap. amounted to £7000 ; of which £4000 stood to the credit of Hymer, and £3000 to the credit of Stobart. On the 1st Jan., 1902, they took in as third partner Jas. Brodie, who brought in Cap. to the extent of £3500, and by Deed the Shares in the Co-Partnership were fixed at three-eighths, to each of the original partners, and two-eighths to Brodie, each to be credited with int. at 5% upon the amount of his cap. On the 31st Dec., 1902, the books were closed and a Net profit was found to have been made of £3000, but no Int. upon Cap. had been charged. Prepare P/L. and Cap. A/cs. showing the position of each partner.

Answer.—*Net Profit* £2475 ; *Cap. T.H.* £5128 2 6 ; *W. S.* £4078 2 6 ; *J. B.* £4293 15.

Exercise 80 (*C.A.*)

Prepare Trading, P/L. A/cs. and B/S. of Smith & Jones, Potters, from the following T/B. on 30th Sept., 1903. **Stock,** 30th Sept., 1903, £1200 ; Write off Depreciation of Plant and Machinery, &c.,

£100; Credit H. Jones with £100 for management. Credit partners with int. on Cap. at 5% less Int. on Drawings (J. S. £2, H. J. £8). Divide Profits equally.

Dr. Balances—	
Smith's Drawing A/c.	£50
Jones' Drawing A/c.	320
Machinery, Plant, Tools, Horses, Carts, &c.	1700
Stock, 1st October, 1902	1000
Cratewood (Trading A/c.)	70
Gas and Water	20
Repairs, &c.	120
Clay Purchases	350
Straw Purchases	120
Coal and Fuel (Trading A/c.)	1000
Wages	2700
Horse & Cart Expenses	100
Travelling Expenses	100
Bad Debts	100
Discount & Allowances	500

Dr. Balances continued—	
Carriage and Carting	£50
Sundry Purchases	50
Bank Charges & Interest	40
Incidental Expenses	70
Rents, Rates & Taxes	150
Advertising, Stationery and Printing	20
Debtors	1620
Cr. Balances—	
John Smith Capital A/c.	2000
Hy. Jones Capital A/c.	1000
Sales, Earthenware	6000
Sales, Charged for Packing and Crates	200
Sundry Creditors	500
Bank Overdraft	550

Ans.—*Gross* £2060; *Net* £500; *Cap., J. S.* £2298; *H. J.* £1072.

Exercise 81 (*C.A.*)

Prepare P/L. A/c. and B/S. of William Beaumont for the half-year ended 31st Dec., 1902, from the T.B. below. **Stocks** 31st Dec., Iron Bars, £1000; Tools, £700; Wire, £400; Bricks, nil; Merchandise, £160. Write off one-half of goodwill, and 10% from Fixtures and Furniture. Credit half-year's int. at 5% per ann. on Loan and also on Cap. Reserve for Income Tax at 6d. on the taxable profits. *The *five starred* A/cs. have been debited with the stocks on 30th June, 1902, and with purchases, and credited with Sales.

Dr. Balances—	
Debtors as per Schedules	£6410
Bills Receivable	450
Fixtures and Furniture	300
Goodwill	700
Rich's Bank, Ltd.	2300
German's Bank	500
Cash	20
W. B. Drawing A/c.	530
Rent & Rates	110
Insurances	120
Travelling	650
Salaries	560
Advertising & Stationery	250
Telegrams & Stamps	190

Dr. Balances continued—	
Bank Charges	£50
Discounts & Exchanges	280
Office & Incidental Expenses	210
Cr. Balances—	
Creditors as per Schedule	3900
Income Tax Reserve A/c.	100
Capital A/c.	5000
Iron Bars A/c. balance	500*
Tools A/c. balance	1800*
Wire A/c. balance	750*
Bricks A/c. balance	400*
Merchandise (Sundries) A/c. bal.	180*
Loan A/c.	1000

Answer.—*Net Profit*, £2854: *Cap.*, £7449; *Total of B/S.* £12,560.

Exercise 82 (*C.A.*)

A London Australian Trading house has the following position at 1st Jan., 1903:—Cap. A/c.—John Wise, £10000; Wm. Tate, £9000; Stocks at home, £896; Stocks at Melbourne, £8320; Machinery and Fixtures, £1000. Transactions during 1903:— **Dr. Balances:** Purchases, £32360; Salaries, £250; Wages, £1750; Freight and Charges, £2830; Trade Exs., £870; Rent, Rates, and Fire Insurance, £620; J. W., Drawings (without interest) £650;

W. T. Drawings (without interest) £650; Bank Charges and Int. £110; Bad Debts written off, £280. **Cr. Balances:** Sales, £39860; Discounts recd., £270; Commission recd., £1000.

At 31st Dec. their Assets and Liabilities are as follows:—Debtors, £8983; Stocks at home, £1240; Stocks at Melbourne, £9080; Cash in hand, £360; B/R. on hand, £2990; B/P. £3200; Bankers' Overdraft, £2689; Creditors, £900; Advances on homeward consignments, £4000. Prepare Trading and P/L. A/cs. and B/S. Provide for Int. on Cap. at 5% per ann.; Depreciation on Machinery, &c., £100; Dis. on Debtors, £115; Res. for Doubtful Debts not written off, £398. Profits equally divided.

Answer.—*Gross Profit*, £4024; *Net*, £1601; *Cap. J. W.* £10650 10; *W.T.* £9600 10; *Total of B/S.* £27040.

Exercise 83 (*C.A.*)

After writing up the Trading A/c. of the Goole Engineering Co. on 30th Sept., 1904, the following balances stood in the books.

Complete the P/L. A/c., crediting each Partner one year's int. at 5% on cap. and a half-share of the net profit. Also prepare B/S.

Dr. Balances—		**Cr. Balances—**	
Debtors	£2800	Creditors	£1200
Bills Receivable	2200	Bills Payable	2060
Plant, Machinery and Tools	3000	Trading A/c. balance	1080
Office Furniture	100	Provision for Outstanding Liabilities	120
Horses and Conveyances	500	Provision for Discounts, and Loss on Debts	240
Bankers	850	Robert Roberts' Capital A/c.	5000
Cash	90	Wm. Wilsons' Capital A/c.	6800
Leasehold Premises	2880		
Interest A/c.	60		
Stock-in-trade	4020		

Answer.—*Net Profit* £430; *Cap. R. R.* £5465; *W. W.* £7355.

Exercise 84 (*C.A.*)

John Hopkins and Wm. Thompson are in partnership. Hopkins is entitled to three-fourths of the profits, and Thompson to one-fourth. Their **Stock** on 31st Dec., 1903, is worth £5773 16 5, and they are each entitled to 5% Int. on Cap. Make out the Trading, P/L. A/cs. and B/S. of the Firm and the individual a/cs. of the Partners.

Dr. Balances—		**Dr. Balances** continued—	
Hopkins' Drawings, including Interest	£900	Wages	£4553
Thompson's Drawings, including Interest	255	Rent, Rates and Taxes	3244
Stock, 1st Jan., 1903	6014	Repairs	202
Debtors	16997	Salaries	1624
Cash	3489	Office Expenses	271
Auditors' Fees	105	Purchases	86300
Bad Debts	90		
Cartage	1019	**Cr. Balances—**	
Discount and Allowances	2509	Hopkins' Capital	10900
Fire Insurance	67	Thompson's Capital	5500
		Creditors	7419
		Sales	53820

Answer.—*Gross Profit* £11707 16 5; *Net* £2775 16 5; *Cap. J. H.* £12626 17 4; *W. T.* £6213 19 1; *Total of B/S.* £26259 16 5.

Exercise 85 (*C.A.*)

Prepare Trading & P/L. A/cs. of Messrs. Walter Lee & Co. for the year ended 30th Sept., 1904, dividing profits equally.

Provide £150 for loss on debts and £200 for discounts. **Stock** on 30th Sept., 1904, was £3600.

Dr. Balances—	
Iron and Steel	£9950
Goods and Materials	800
Coal and Coke (Trading A/c.)	900
Carriage and Cartage	880
Wages	3760
Salaries	350
Rent, Rates and Insurance	280
Cash	100
Bags & Packing (Tradg. A/c.)	300
Repairs and Replacements of Buildings	200
Repairs and Replacements of Machinery, &c.	250
Debtors	4000
Leasehold Premises	5000
Dr. Balances continued—	
Stock	£3500
Plant, Machinery, &c.	2500
Loose Tools, &c.	1000
Trade Expenses	600
Cr. Balances—	
Discounts A/c.	20
Bad Debts A/c.	100
Sales A/c.	19000
Bank Overdraft	1200
Creditors	1050
Mortgage, Loan on	3000
Walter Lee's Capital	5000
Bruce Lee's Capital	3000
George Lee's Capital	2000

Answer.—*Gross Profit* £2510; *Net* £600.

Exercise 86 (*C.A.*)

Prepare P/L. A/c. and B/S. of James Brown from the following T.B., on the 31st Dec., 1903.

Dr. Balances—	
Drawing A/c.	£1041
Fixtures and Fittings	35
Wages	450
Bills Receivable	48
Trade Expenses	61
Stock, 31st Dec., 1903	1030
Rent	135
Interest on Capital	117
Sundry Debtors	2735
Cash	2891
Dr. Balances continued—	
Fire Insurance	£8
Interest and Discount	212
Cr. Balances—	
Capital A/c.	4807
Doubtful Debts Reserve	619
Reserve Discounts	42
Sundry Creditors	1148
Balance of Goods A/c. (after adjustment of Stocks)	2147

Answer.—*Net Profit* £1164; *Capital* £4930; *Total of B/S.* £6078.

Exercise 87 (*C.A.*)

William Dove, carpet merchant, agreed to take into partnership his manager, John Skelton, from 1st Jan., 1904, upon the following terms—the share of profits was to be as to two-thirds to Dove, and as to one-third to Skelton. Dove was to be credited with 4% int. upon his cap. and Skelton with a yearly salary of £100 and with 10/-% upon the gross sales. The following B/S. of Dove as on the 1st Jan., 1904, was agreed to and signed by both parties.

Sundry Creditors	£950	Stock-in-Trade	£2874
Cap. A/c.	4850	Furniture, Fixtures, &c.	176
		Book Debts	1500
		Bradford Banking Co.	750

On the 31st Dec. the following was the T.B., the stock at the 1st Jan., 1904, being included in the Purchases A/c. The **Stock** on 31st Dec., 1904, was valued at £4060. Make closing Journal Entries, giving effect to the provisions of the partnership as well as to Int. on cap. as to salary and com. on sales, and prepare Trading, P/L. A/cs. and B/S.

Dr. Balances—		**Dr. Balances** continued—	
Purchases A/c.	£12500	Dove's Drawing A/c.	£400
Rent, Taxes and Insurance	450	Skelton's Drawing A/c.	200
Carriage and Freight	700		
Salaries	200	**Cr. Balances**—	
Wages	550	Dove's Capital	4350
Office Expenses	100	Sales A/c.	11850
Debtors	1850	Creditors	1250

Answer.—*Gross Profit*, £1660; *Net* £579 5s.; *Cap. W. D.* £4510 3s. 4d.; *J. S.* £149 16s. 8d.; *Total of B/S.* £5910.

Exercise 88 (*C.A.*)

Sam Yates and Dan Zeno commence trading in partnership on 1st July, 1904, with Cap. £8000, of which £5000 are brought in by Y., and £3000 by Z. They take 5% per ann. int. on cap., and charge no int. on drawings. Divide profits:—Y., five-eighths; Z., three-eighths. On 31st Dec., 1904, they find their T.B. as below.

Prepare Trading, P/L. A/cs., B/S. and Cap. A/cs., charge 10% per ann. depreciation on fixtures, &c. and reserve £250 for bad debts. **Stock** at 31st Dec., £8840.

Dr. Balances—		**Dr. Balances** continued—	
Cash	£56	Fixtures and Furniture	£980
Purchases	24020	Y's Drawing A/c.	600
Wages	1100	Z.'s Drawing A/c.	400
Salaries	324	**Cr. Balances**—	
General Expenses	1260	Capital A/cs.	8000
Rent and Taxes	520	Due to Bankers	2380
Interest and Discount	439	Sales	20630
Debtors	5575	Creditors	4264

Ans.—*Gross* £4350, *Net* £1308, *Cap. Y.* £5342 10s., *Z.* £3165 10s.

Exercise 89 (*C.A.*)

Wm. Johnson took into partnership John Sutcliffe on 1st Jan., 1904, upon the following basis:—**Assets**:—Machinery, £2500; Stock, £2250; Book Debts, £1250; Yorkshire Bank, £750. **Liabilities:** Creditors, £750; Wm. Johnson Cap. £6000. The freehold premises were the property of Johnson and his Drawing A/c. was credited each half-year with £125 as rent. Sutcliffe was to bring in as cap. £3000, and the respective shares were fixed at five-eighths to Johnson and three-eighths to Sutcliffe, the latter being considered acting partner. On the 31st Dec., 1904, the T.B. was as below. **Stock** was valued at £3750. No int. was to be charged on the drawings. Prepare Trading, P/L. A/cs. and B/S., and journalise closing entries.

Dr. Balances—	
Machy., Fixtures & Fittings	£3500
Purchases, including Stock 1st January, 1904	14950
Salaries	450
Wages	1600
General Expenses	500
Rent	250
Repairs, Alterations, and Maintenance	150
Johnson's Drawing A/c.	700
Dr. Balances continued—	
Sutcliffe's Drawing A/c.	£350
Debtors	2350
Yorkshire Bank	1500
Cr. Balances—	
Johnson's Capital A/c.	6000
Sutcliffe's Capital A/c.	3000
Sales	16300
Creditors	1000

Ans.—*Gross* £3500; *Net* £2150; *Cap. J.* £6643 15s.; *S.* £3456 5s.

Exercise 90 (*C.A.*)

Abe Adam, Ben Binns, and Cecil Clive commence business on 1st Jan., 1904. with Cap. £15000. A has £7000, B £4500, and C £3500, and they divide profits and losses in the same proportions. On 31st Dec., their T.B. is as below. Prepare Trading, P. & L. A/cs., Cap. A/cs. and B/S., allowing 5% int. on Cap., charging 6% Depreciation on Plant, &c., and reserving £1000 for Losses on Consignments. **Stock** £9870.

Dr. Balances—	
Stock, 1st January	£9240
Purchases	41333
Salaries	620
Wages	2020
Trade Expenses	840
Interest and Discount	1008
Losses in Exchange	1686
Plant and Fixtures	1650
Debts and Consignments	16595
Cash	74
Bank	1360
A's Drawing A/c.	950
Dr. Balances continued—	
B.'s Drawing A/c.	£600
C.'s Drawing A/c.	550
Cr. Balances—	
A.'s Capital	7000
B.'s Capital	4500
C.'s Capital	3500
Sales	20522
Consignments	27060
Commissions	2644
Creditors	8200
Loan A/c.	5000
Loan Interest	100

Answer.—*Gross Profit* £4859; *Net* £1500; *Cap. A. A.* £7100; *B.B.* £4575; *C.C.* £3475; *Total of B/S.* £28450.

Exercise 91 (*C.A.*)

Wm. Jones in retiring from business agrees to dispose of it to Cecil Hall and Hy. Coates. The **Assets** consist of:—Debts £5600; Stock, £3800; and Plant, £2400; and **Liabilities** which are to be discharged by the successors are £3800. They bring in as Cap. £1500 each, and the bal. due to W. J. is to be subject to int. at 5% per ann. chargeable half-yearly, such balance to be paid by instalments of £500 each half-year. They are also to pay £1000 for Goodwill out of the Profits at the rate of one-fifth of the Profits each half-year without int. The profits have been as follows:—1st half-year £860; 2nd £980; 3rd £1060; 4th £1200; 5th £1080; 6th £1240; from which the int. on unpaid Purchase has to be deducted before calculating the one-fifth. Show first B/S. of Hall & Coates; Goodwill A/c. up to its extinction, also Appropriation A/c.

Answer.—*Total of B/S.* £15800. *1st payment of Goodwill* £132; *2nd* £157 10; *3rd* £175 0 9; *4th* £204 12 3; *5th* £182 4 7; *6th* £148 12 5. *Balance due to Jones after the payment of 6th instalment* £6083 13 6.

Exercise 92 (*C.A.*)

A publishing firm, the partners in which Fred France, Geo. Gill and Hugh Hill shared profits equally, agreed, as from the date of the B/S. which is appended, to admit a fourth partner, Isaac Isles to take an equal share, who was to bring in £10000, and, in addition pay £5000 for Goodwill, which the other partners were to be entitled to in equal portions and were to leave in the business. It was stipulated that from the book-debts should be deducted 3½% for contingency of bad debts, and then an allowance of 2½% for cash discount. The stock was to be taken at a discount of 6¼% from the B/S. figures. and the copyrights, printing plant, fixtures and furniture, and the leasehold premises were to be taken at valuation—and they were valued respectively thus:—Copyrights £55000; printing plant £17200; fixtures and furniture £1275; and leasehold premises £8500. The other Assets and Liabilities (as shown in the following B/S. of F. G. & H. on 31st Dec. 1905) were to be accepted as shown.

Creditors	£7165	Cash at Bank	£950
B/P.	15050	B/R.	510
Capital of Fred France	28700	Book Debts	7470
,, George Gill	20450	Stock	6045
,, Hugh Hill	24710	Copyrights	51400
		Printing Plant	18300
		Leases	9600
		Fixtures and Furniture	1800

Prepare a new B/S., giving effect to the alterations, and to the payment into the Bank by Isles of £15000.

Answer.—*Profit on admission of Isles*, £5055 10 6; *Capital F. F.* £30385 3 6; *G. G.* £22135 3 6; *H. H.* £26395 3 6; *I. I* £10000.

Exercise 93 (*C.A.*)

By the partnership deed of a manufacturing firm consisting of four members, Alec. Allen, Ben Binns, Cecil Cash and Dan Day, it was provided that in the event of the death of any partner before the expiration of the partnership by effluxion of time on 31st Dec., 1909, there should be paid to the legal representatives of the deceased the amount appearing to his credit on 31st Dec., next preceding the death, together with int. thereon at 5% per ann. to 31st Dec., following the decease, and a share of the profits of the year of his decease corresponding to the number of days that he lived during it, calculated after the rate of the average of his share for the last three completed years, together with int. on such share from the date of death to the end of the year. The four partners shared profits equally, and each took int. on his cap. at 5% per

annum, but no int. was charged on the drawings, for each drew at the end of every month an equal sum in anticipation of profits. The surviving partners were to share the profits equally. C died on 30th June, 1903. The profits of the three immediately preceding years had been respectively £14000, £15600, and £12700. The proportion payable in respect of a deceased partner's int. and profits it was stipulated by the articles of partnership should be treated as a trade expense of the year in which he died. With the aid of the following T.B. of 31st Dec., 1903, taken out before int., depreciation, and an amount in lieu of factory rent have been charged, prepare Manufacturing and P/L. A/cs. for 1903, allowing £500 for depreciation of plant, £50 for depreciation of office fixtures and furniture, and 5% on the amount of the freehold property (as appearing T.B.) for factory rent*. Also construct a B/S. showing what was due to the deceased's estate and what cap. stood to the credit of each of the surviving partners. **Stock,** 31st Dec., 1903, £25000. (*C.C.'s Profit & Int.* £1792 1 5).

Dr. Balances—	
A. Drawing A/c	£2400
B. Drawing A/c	2400
C. Drawing A/c	1000
D. Drawing A/c	2400
Stock, 1st January, 1903	20000
Purchases A c	855000
Factory Wages*	50000
Cash in hand and at Bank	5900
Bad Debts	3200
Bills Receivable	3000
Salaries	1800
Office Expenses, General	500
Sundry Debtors	82800
Travelling Expenses	2000
Factory Rates and Taxes*	200

Dr. Balances continued—	
Office Rent and Taxes	£400
Freehold Factory	12000
Plant	3000
Office Fixtures and Furniture	500
Interest paid	1500
Cr. Balances—	
A. Capital A/c.	24000
B. Capital A/c.	22000
C. Capital A/c.	20000
D. Capital A/c.	18000
Discount	4000
Sales A/c	422000
Bills Payable	10000
Sundry Creditors	30000

***N.B.** It is presumed that the Examiner intended the Factory Charges to be debited against the Trading a/c. so as to show the gross profit on the Factory. Rent must also be credited to the P. & L. A/c.

Ans. *Gross* £21200; *Net Profit* (*after deducting C.C.'s share*) £9857 18 7; *Cap. A. A.* £26085 19 7; *B.B.* £23985 19 6; *D.D.* £19785 19 6; *C.C.'s exors.* £21792 1 5; *Total of B/S.* £131650.

Exercise 94 (*C.A.*)

Wm. Denham and Hy. Lloyd entered into co-partnership as marble merchants and contractors at Leicester, on 1st Jan., 1905. Lloyd's cap. was £1000, Denham's £4000. Profits or losses to be shared equally. 5% was to be credited each partner in respect of his cap., and the drawings were limited, in the case of Denham to £500, and in that of Lloyd to £400, int. to be charged thereon at 5%, but Lloyd was to be credited with £25 each quarter as salary for management. On 31st Dec. last, the T.B. of their books was as follows, but no int. had been charged either upon the cap. or upon drawings, nor had

Lloyd been credited with his salary. The **stock** was taken and amounted to £3750, and the drawings of the partners had been as follows:—Denham, 1st Feb., £50; 1st April, £100; 1st June, £50; 1st Aug., £50; 1st Oct., £100; and 1st Dec., £50. Lloyd, 1st Feb., £25; 1st Mar., £37 10; 1st May, £62 10; 1st June, £50; 1st Aug., £25; 1st Sep., £37 10; 1st Nov., £62 10; and 1st Dec., £50. Prepare, through Journal Entries, a Trading, P/L. A/c., and B/S. giving effect to the respective partnership terms as to int. on cap. and drawings; partner's salary and division of profits.

Dr. Balances—	
Purchases	£3850
Salaries	450
Wages	1300
Rent, Rates and Insurance	750
Int., Dis. and General Charges	350
Carriage and Freight	250
Repairs and Depreciation	150
Buildings	2500
Plant and Tools	1500
Dr. Balances continued—	
Denham's Drawings	£400
Lloyd's Drawings	350
Debtors	4650
Cr. Balances—	
Sales	10000
Creditors	1500
Denham's Capital	4000
Lloyd's Capital	1000

Answer.—*Gross Profit* £8350; *Net* £6318 2s. 6d.; *Cap. W. D.*, £6949 1s. 3d.; *H. L.* £3950 18s. 9d.; *Total of B/S.* £12400.

Exercise 95 (*C.A.*)

Prepare from the following T.B. and particulars, Trading, P/L. A/cs. and B/S., as on 30th June, 1906, of William Waller, Silversmith, **Stock** at 30th June, 1906, £8350; Depreciation of Plant, &c., 5%. Provision for loss on debts, £250, and for Dis. on Book Debts 2½%.

Dr. Balances—	
Incidental Expenses	£500
Withdrawals	1650
Wages	17540
Salaries	3005
Travelling Expenses	1430
Rent, Rates and Taxes	1850
Insurances	90
Advertising	650
Commission	245
Discount and Allowances	700
Bank Interest and Charges	150
Packing, &c.	350
Purchases	10540
Plating	4500
Sundry Exs. (Manufacturing)	3150
Bad Debts	260
Dr. Balances continued—	
Cash	£105
Debtors	20250
Stock, 1st July, 1905	9560
Bills Receivable	5570
Plant, Machinery and Tools	4250
Cr. Balances—	
Bills Payable	2600
Rents from Sub-lettings	190
Creditors	2300
Capital	9910
Bank Overdraft	950
Sales and Charges:	
Finished Goods	65670
Repairs, &c.	4325
Packages, &c.	400

Answer.—*Gross* £33105; *Net* £23452 10s.; *Cap*, £31712 10s.

Exercise 96 (*C.A.*)

Prepare Trading, P/L. A/cs. and B/S. as on 30th June, 1906, of Messrs. Sykes Bros., sharing profits in proportion to cap. Write depreciation off plant and machy. at 5%, off loose tools at 15%. Charge int. at 4% on partners' cap. **Stock** on 30th June, 1906, £6000.

Dr. Balances--	
Land and Premises	£9000
Plant and Machinery	4000
Loose Tools	1500
Stock, 1st July, 1905	4500
Purchases	11000
Wages	6000
Carriage	800
Coal and Coke (Trading A/c.).	1200
Salaries (Manufacturing)	1500
Clerks and Travellers	500
Rates and Taxes	450
Discounts and Allowances	600
Bank	2000
Dr. Balances continued—	
Cash	£40
Debtors	5000
Repairs and Replacements	800
Works Extension A/c.	3000
Bad Debts	30
Returns	280
Cr. Balances—	
Alb. Sykes Capital	8000
Henry Sykes Capital	7000
Seth Sykes Capital	5000
Rents	150
Creditors	1500
Goods Sold	80500

Answer.—*Gross Profit*, £11270; *Net*, £7815; *Cap. A.S.*, £11446; *H.S.*, £10015 5s.; *S.S.*, £7153 15s.; *Total of B/S.*, £30115.

Exercise 97 (*C.A.*)

Prepare Trading, P/L. A/cs. and B/S. of Messrs. Chalk & Co., after making following provisions:—Bad Debts, £150; Discounts, on debtors' bals. only 3½%; and Trade Exs., £205. **Stock** 30th June, 1906, £22600. Divide profit in proportion to capital.

Dr. Balances—	
Debtors	£11500
Cash	50
Freehold Property	10000
Plant and Machinery	2500
Loose Tools, Horses, &c.	1550
Stock, 1st July, 1905	15000
Purchases	18500
Carriage and Freight	1500
Wages (Labour)	3200
Office Salaries	800
Rates and Insurance	1550
Repairs	300
Trade Expenses	1200
Dr. Balances continued—	
Discount and Allowances	£900
Bad Debts	200
Bank Interest and Charges	250
Interest on Mortgage	200
Partners' Salaries	900
Cr. Balances—	
Creditors	7500
Bankers for Overdraft	3000
Mortgage	5000
Jas. Chalk's Capital	18000
Hy. White's Capital	12000
Credit Sales	20500
Cash Sales	4100

Answer.—*Gross Profit*, £9000; *Net*, £1947 15s.; *Cap. J.C.*, £19168 13s.; *H.W.*, £12779 2s.; *Total of B/S.*, £47652 15s.

Exercise 98 (*C.A.*)

Asa Abbey, Ben Brook and Carl Cook carried on business in partnership, the capital of the partners on the 1st Jan., 1903, being:—A., £20000; B., £5000; and C., £2000. It was agreed that each partner should be credited with simple int. on his cap. at the rate of 5%, and B. and C. each with £200 as salary for their services. The net profits or losses were to be divided into nine parts, and allotted—to A., 5; to B., 3; and to C., 1. The assets and liabilities on the said date were as follows:—Freehold Premises, £15000; Plant and Machinery, £6000; Loose Tools and Fittings, £1500; Debtors' Balances, £9000; Less provisions for discounts, £400; and for bad debts, £100; Cash at Bank, £2000; Creditors' Balances, £6000.

In Dec., 1905, A. died, leaving the whole of his interest in the business to B. and C. in equal shares. No a/c. of profit and loss had been taken, or valuation of stock made during that period. The partners' withdrawals (including int. thereon) during the three years had been as follows:—A., £3500; B., £900; C., £600;

On the 31st Dec., 1905, a valuation of the assets was made for the purposes of probate and the adjustment of the surviving partners' a/cs. Freehold premises, £11,000; Plant and machinery, £4500; Tools and fittings, £1000; Debtors' Bals., £10,500 in respect of which an allowance was made of £1000 for doubtful debts and dis. Cash at bank £1060, in hand £6 17 6. Due to creditors £9000. Prepare two B/S. as on 1st Jan., 1903, and 31st Dec., 1905.

Answer.—*Cap. A.* £14,398 5 3; *B.* £2388 19 2; *C.* £1279 13 1.

Exercise 99 (*C.A.*)

James Thompson took over the business of an iron ore proprietor, the lease of the mines having fifteen years to run on 1st Jan., 1906, and carried on business for six months. Prepare Trading, P/L. A/cs. and B/S., without taking a/c. of int. upon cap. but providing for wasting of lease, and writing off depreciation at 5% per ann. from machinery and plant, providing £445 for doubtful debts, and allowing a dis. of 2½% for debtors and creditors.

Stock 30th June, £5000. Unpaid wages £286.

Dr. Balances—	
Stock, 1st Jan.	£4850
Withdrawals	800
Plant & Machinery	3522
Cash at Bank	5709
,, in hand	9
Allowances & Returns	500
Salaries	939
Wages	12398
Damages for Breach of Contract	100
Rents, Rates and Taxes	2330
Bank Charges	200
Discounts allowed	850
Lease	16500
Sundry Debtors	6300
Royalty	5000

Dr Balances continued—	
Candles and Oils consumed	£390
Coals consumed	1260
Repairs	360
Powder consumed	372
Carriage & Freight	913
Ropes consumed	53
Timber oonsumed	1280
Office Furniture	100
Unexpired Insurances	40
Cr. Balances—	
Capital	20000
Ore Sales	36700
Discounts received	75
Sundry Creditors	8000

Answer.—*Gross* £14,398; *Net* £8664 11 6; *Cap.* £27,864 11 6.

Exercise 100 (*C.A.*)

John Smith carries on business as a cigar manufacturer. Prepare Trading, P/L. A/cs. and B/S. from the followng T.B. at the 31st December, 1905. Depreciate Land and Buildings 2½%; Plant and Machinery 5%; Int. on Cap. 5%; Int. on Loan (one year) 5%; Provision for Doubtful Debts and Discounts 5%; **Stock** £1500.

Dr. Balances—	
Withdrawals	£1000
Tobacco (bought)	2000
Plant and Machinery	1500
Land and Buildings	2000
Wages	4000
Debtors	1500
Boxes, Labels, &c. (Trading A/c)	500
Rates and Taxes	40
Bills Receivable	300
Insurance	10

Dr. Balances continued—	
Carriage	£150
Salaries	1000
Incidental Expenses	200
Stock, 1st January, 1905	2000
Bank	1250
Cash	50
Cr. Balances—	
Capital	6000
Sales	10000
Loan on Mortgage	1000
Creditors	500

Answer.—*Gross Profit* £2850; *Net* £1050; *Cap.* £6350.

COMPANY ACCOUNTS.

261. A JOINT STOCK COMPANY is an association of individuals for the purpose of engaging in any undertaking, trade, or business. Lord Justice Lindley defines a company as "an association of members, the shares of which are transferable. As distinguished from a partnership, I know of nothing else except the transferability of shares." But with regard to an *incorporated* company there are other important distinctions, *e.g.*, that, while in a partnership firm each partner is personally responsible for all the debts contracted by the firm, in an incorporated company the members have *no individual liability* to its creditors for debts owing by the company, and their personal liability is satisfied if they pay the calls properly made upon them by the company or its liquidator. A company may be either limited or **unlimited.** In the latter case the members or shareholders occupy the same position in relation to the creditors of the business as the members of a firm, who are personally liable for the whole of the debts of the concern. On the contrary, the liability of the members or shareholders of a **limited company** is strictly limited to the amount of the shares for which they have subscribed, or agreed to be responsible. For instance, should you have applied for, and been allotted a share of £100 in a company which subsequently fails, the limit of your loss would be £100. A company is a distinct legal personality, and can own and deal with property, sue and be sued in its own name, and contract on its own behalf, and the members are not *personally* entitled to the benefits, or liable for the burdens arising thereby; their rights are confined to receiving from the company their share of the profits, or, after winding up, of the surplus assets. The creditors of a limited company accordingly know that they cannot, as in the case of a partnership, look to the whole property of the individual members, to pay them, but are restricted to the property of the company.

262. NO PARTNERSHIP consisting of more than *ten* persons can be formed to carry on the business of *banking*, and no partnership of more than *twenty* persons to carry on *any other business* having the acquisition of gain as its object, unless it is registered as a company under section 1 of **The Companies (Consolidation) Act, 1908,** or formed under some special Act of Parliament or Charter like a British Railway Co., or the British South Africa Co., or is a Cost Book Mining Company.

263. Commercial concerns are generally incorporated under The Companies (Consolidation) Act, 1908. Any persons, whether British subjects or foreigners, may, for any lawful purpose, form an incorporated company, which may be one of **four kinds,** viz.:—(**1**) A Company with Unlimited Liability, with or without a capital divided into shares; (**2**) A Company with its Liability Limited by shares; (**3**) A Company with its Liability Limited by Guarantee and not having a capital divided into shares; or (**4**) A Company with its Liability Limited by Guarantee and having a capital divided into shares.

264. Very few companies are now registered with **Unlimited** Liability, and many banking and other companies, originally constituted as Unlimited Companies, have been **re-registered** with Limited Liability under section 57 of the Companies Act. The members of an Unlimited Company are liable to calls until the whole of the company's debts or obligations, however heavy they may be, are paid; but they can only be called upon *pro ratâ* according to their interest in the company, and their liability is altogether at an end one year after they have ceased to be members. In these two particulars Unlimited Companies have important advantages over Private Partnerships and Limited Partnerships registered under The Limited Partnerships Act, 1907, so far as the "general partners" are concerned.

265. COMPANIES LIMITED by **GUARANTEE** are usually formed for the purpose of carrying on business as mutual insurance and trade protection societies, social,

athletic, and other clubs, and concerns in which it is *not* intended to make a profit. The principle on which these companies are constituted is that each person who becomes a member undertakes to contribute to the assets of the company, in the event of the same being wound up during the time that he is a member, or within one year afterwards, for the payment of the debts and liabilities of the company contracted before the time at which he ceases to be a member, and of the costs, charges, and expenses, of winding up the company, and for the adjustment of the rights of the contributories amongst themselves, such an amount as may be required, not exceeding a specified amount. There are **two kinds** of **Guarantee Companies,** viz. :—(*a*) Companies Limited by Guarantee and *not* having a capital divided into shares, and (*b*) those *having* a capital divided into shares. In the case of the former the Memorandum of Association has only four clauses, of which the first three are the same as those required for a Company Limited by Shares, and the fourth is a declaration as to the amount to be contributed by each member of the company in the event of a winding up. But in the case of Guarantee Companies *having* a capital divided into shares registered since 1900, a fifth clause must be added, stating the capital, which is subject to increase or reduction in accordance with section 56 of the Companies Act.

266. Companies formed since the 30th June, 1908, are divided into *public companies* and *private companies*. To put it shortly, a **public company** is one carried on by means of capital subscribed by the public at large, and a **private company** one which does not appeal to the general public by a prospectus or advertisement to subscribe its capital; the capital being already there or ready to be subscribed. A private company is useful for registering *family businesses*, where the shares are intended to be kept in few hands, the control in still fewer, generally the former partners of the firm. Where one partner possesses an overwhelming influence, and is entitled to nearly the whole of the profits, the company is known as a **One-man Company.**

267. A **PRIVATE COMPANY** may be registered by any **two** or more persons, provided that by its articles it (1) restricts the right to transfer its shares (2) limits the number of its members (exclusive of persons who are in the employment of the company) to fifty, and (3) prohibits any invitation to the public to subscribe for any shares or debentures of the company. Hitherto it has been necessary for seven persons to combine to form a limited company, and it has been necessary to keep up its number of members to at least seven, but in future two will suffice. The private company will be found extremely useful in the case of partners wishing to have the benefit of the protection of limited liability, and yet not wishing to have to disclose, either in a prospectus, or in the statement in lieu of prospectus, the particulars required to be made by public companies, and not wishing to make public in its Annual Summary an audited statement in the nature of a balance sheet.

268. PRIVATE COMPANIES have an undoubted **advantage** over "Limited Partnerships." The liability of each member of a private company may be limited to the capital actually put in, or it may be limited to a stated amount representing the amount unpaid on shares subscribed, or it may be unlimited; the provisions being very elastic and capable of application to any requirement. The liability of a member of a limited partnership, must either be unlimited or else limited to the capital contributed, unless the limited partner takes any part in the management, when the limit ceases to exist. If any difference arises as to the conduct of the business, the majority of the directors of a private company, including the capitalist-director, and ultimately the members, according to the voting control, have the power to decide; but in a limited partnership a majority of the general partners, *i.e.*, not the limited or capitalist partner, control. For practical purposes, private companies and limited partnerships are on the same footing as to giving notices to the registrar, of alterations in the constitution of the board of directors in the one case, or in the members of the partnership in the other.

269. A **PUBLIC COMPANY** is an *incorporated* association of **seven** or more individuals for the purpose of engaging in any undertaking, trade, or business. Every company formed under The Companies (Consolidation) Act, 1908, must have a Memorandum of Association, the registration of which, after having been duly subscribed, is the formal creation of the company, and from that time its corporate existence is recognised by law.

270. REGISTRATION is effected by lodging with the Registrar of Joint Stock Companies, Somerset House, London, W.C., Parliament Square, Edinburgh, or Custom House, Dublin (according to the country in which the registered office is to be situate) a Memorandum of Association, usually printed, although it may be written. When the company does not adopt Table A and is to be governed by its own Articles of Association (which is almost invariably the case with companies of any magnitude), the *printed* Articles must also accompany the Memorandum, both of which must be signed and subscribed by the "*signatories*," that is, the original subscribers, who must subscribe not less than one share each. If everything is in order and the stamp duties and fees paid, the Registrar will issue a *Certificate of Incorporation.* From that moment the company has a legal existence, with perpetual succession and a common seal. It may, if a private company, from that date transact its business, and is a valid company. In the case of **public** companies the applicant must also deliver to the Registrar a list of the persons who have consented to be directors, and a consent in writing, signed by each director, or by his agent, to act as such director must be filed, and if each director has not signed the Memorandum for a number of shares not less than his qualification, a contract in writing to take and pay for his qualification shares must also be filed. The requisites for registration in the case of a *public* company are :—(1) memorandum; (2) articles; (3) list of directors; (4) signed consents of all directors named to act; (5) contract by directors to pay for their qualifying shares;

(6) statutory declaration by a solicitor engaged in the formation, or by a director, or secretary of the company that the requirements of the Companies Act as to registration have been complied with.

271. The **MEMORANDUM OF ASSOCIATION** is the charter of the company, which defines its powers and states its objects and intentions: outside the limits of the Memorandum the company cannot go. This document must contain:—(1) The name of the company, with the word "*Limited*" as the last word in such name. (2) The country where the Registered Office is to be situate. (3) The objects of the company. (4) A declaration that the liability of the members is limited. (5) The amount of capital and how it is divided; subject to the following regulations (*a*) that no subscriber shall take less than one share (*b*) that each subscriber to the Memorandum shall write opposite to his name the number of shares he agrees to take.

272. The **ARTICLES OF ASSOCIATION** are the rules, regulations and By-Laws to govern the internal affairs of the company, and play a subsidiary part to the Memorandum, which contains the fundamental conditions. They must be consistent with the statutes, as the Courts will ignore any article attempting to over-ride the statutory rights of members. A *model form* of Articles known as **Table A** of The Companies (Consolidation) Act, 1908, constitute the code of regulations for the management of a limited company, unless expressly excluded or modified by the *special* Articles Articles 103 to 108 of Table A state that the directors shall cause true accounts to be kept of all assets and liabilities, receipts and payments, profits and losses, and that an annual Balance Sheet shall be printed and sent to every member seven days before the general meeting of the company. The B/S. shall be accompanied by a report of the directors as to the state of the company's affairs, and the amount which they recommend to be paid by way of dividend, and the amount (if any) which they propose to carry to a reserve fund.

273. CAPITAL. The principal difference between the accounts of a Private Trader or a Partnership and those of a Limited Company is in the organisation of the capital and the consequent distribution of the profits. With Joint Stock Companies the **capital** is generally the property of a large number of shareholders, who hold **shares** which represent the equal portions into which the capital is divided, each shareholder being entitled to a portion of the company's profits corresponding to the number of shares he holds. A Company cannot purchase its own shares or reduce its Share Capital without obtaining the sanction of the Court. The **Nominal** or **Registered** or **Authorised Capital** is the sum stated in the Memorandum as the maximum amount which the Directors have power to raise; say 50,000 shares of £1 each; it is upon this amount that the *stamp duty* payable to the Government upon registration, is based. The **Issued** or **Subscribed Capital** is the amount offered and subscribed for, and subsequently allotted in shares or stock to the public and the vendors; say, £45,000, thus leaving £5,000 **Unissued Capital** to be issued at a later date if the Directors wish. The **Called-up Capital** is that portion of the Subscribed Capital which the Directors require in order to carry on the business of the Company; say, 10/- per share = £22,500. The **Paid-up Capital** is that part of the Called-up Capital which has actually been received in cash by the Company from the shareholders; say, £22,400; one shareholder having failed to pay the "call" made upon him. The term **Working Capital** is used to indicate the amount of *Paid-up Capital plus Debentures*, available for carrying on the business of a company, *after* the purchase price has been paid.

274. SHARES are classified and named according to the rights attached to them by the Articles of Association. **Ordinary Shares** are portions of a company's trading capital, entitling their owners to a limited or an unlimited proportional part of the profits after all prior charges have been paid and all preferential interests have been satisfied. Preferred or **Preference Shares** may either give a preferential right (*a*) only as to the fixed rate of dividend, or (*b*) to the return of capital also. In

the former case they are said to be *preferential as regards revenue*, and in the latter *preferential as regards capital*. In the event of liquidation the holders of such preference shares are entitled to priority of payment out of the assets before any of the other classes of shareholders, but not before creditors. In either case the preferential dividend may be **cumulative** or **non-cumulative,** *i.e.*, payable only out of the profits of each trading period or year, *no* unpaid arrears being carried forward. On the other hand, if the dividend be **cumulative** and the profits realised in any one year, or any series of years, be insufficient to pay the guaranteed dividend, such arrears or accumulated dividends must be paid out of the first available profits in any succeeding year, before any dividend is paid on the other shares. **Arrears** of cumulative dividends being a *contingent liability*, should be shown on the face of the B/S. **Deferred Shares** are so called because the rights of the holders to dividend are postponed until the other shareholders have received a stated percentage, or until the expiration of a certain period. **Founders'** or **Management Shares,** which are usually few in number, are generally taken by the promoters, or the underwriters of the share capital, in order to reimburse the expenses incurred by them in the flotation of the Company. These shares have a *deferred* interest in the profits of the company, usually receiving one-quarter or one-half of the net profits after a fixed percentage has been paid on the Ordinary Shares and a certain amount placed to the Reserve Fund. When the surplus profits are large these shares become very valuable. **Participating Preference** or **Ordinary Shares** entitle their holders not only to the rate of dividend fixed by the Memorandum but also to a further share in any surplus profits, *after* the Ordinary or Deferred shareholders, respectively, have received a given percentage.

275. LOANS. The usual form of borrowing by a Company is on **Debentures,** which are bonds given under the seal of the Company as security for a loan. Debentures may be either (*a*) a mere promise to pay, or (*b*) a promise to pay secured by a **mortgage** of the real estate, and a first charge on all the undertakings and assets of the business. The former class (*a*) containing *no* charge

upon any of the company's property, is termed a *simple* or *naked* debenture; while the latter class (*b*) is known as a *mortgage debenture*. It must be remembered that a debenture holder is only a *creditor*, and not a member of the Company, and that if it is not a **mortgage debenture,** the holder, in the event of liquidation, will only occupy the same position as an ordinary *trade creditor*. *Redeemable* debentures are those which provide for repayment of the principal sums upon a given date or upon notice. *Irredeemable* debentures are those which are issued upon condition that the principal sums secured are repayable only on default of payment of interest or on the winding up of the company. **Debenture Stock** is merely borrowed capital *consolidated* into one mass for the sake of convenience. Debentures are only transferable in their entirety, but stock may be transferred in whole or part, provided that such part does not involve a fraction of a stated amount. Usually the stock is made transferable in multiples of £10. **Interest** on Debentures, after deducting the income tax, is usually paid half-yearly, so long as there are any *assets* out of which to pay it. In this respect it is different from a *dividend* upon shares, which is only payable out of profits.

276. TERMS OF ISSUE. Shares and debentures may be issued at **par** (the exact face value), or at a **premium** (an amount in excess of face value), and debentures only at a **discount** (an amount below the face value), but the actual liability of the company is measured by the *nominal* amount in question. An example of an issue at a **premium,** redeemable *at par*, is given in the model exercise, where the £50,000 4% Debentures are issued at £102%, resulting in the receipt by the Coy. of £51,000. As the Coy. will only be required to pay the 4% interest on the *par value* of the Debentures, viz.:— £50,000, the excess of £1,000 received by issuing at a premium is a clear gain. This must *not* be carried to the Revenue or P/L. A/c., however, but a "*Debenture Premium A/c.*" must be opened and credited. This a/c. may be subsequently transferred either to the Reserve A/c., or applied towards the reduction or extinction of unrealisable assets, such as Preliminary Expenses or Goodwill. In the case of Debentures (*a*) issued at a *discount*, and redeemable *at par*, or (*b*) issued *at par* and

redeemable at a *premium*, the contingent liability in respect of the difference between the (*a*) discount and par, and (*b*) par and premium, must be provided for. Suppose that the £50,000 Debentures had been issued (*a*) at a *discount*, say £98 redeemable at par, or (*b*) at *par* redeemable at a premium, say £102, the cash received in each case would be £1000 *less* than would be required to repay or redeem the Debentures at the expiration of say 20 years. With the object of providing this deficiency of £1000 at the time of redemption, the sum of £50—one twentieth—should be charged against the profits annually and credited to the "*Debenture Premium A/c.*"

277. SINKING FUND. With the object of *redeeming Debentures* or other liabilities of a Company, a Sinking Fund is frequently created, which may or may not be invested in outside securities. The object is *merely to conserve the resources of the Company.* In such cases the instalments are not charges against profits, but appropriations of profits; that is to say, so much which might have been distributed amongst the shareholders is retained, so that as the Asset "Cash" is reduced on paying off the liability to Debenture holders, there may be a corresponding restoration of cash out of profits, and the concern not crippled on account of lack of working capital. This instalment will vary according to the size of the debt, and the length of time allowed for its repayment.

278. One method of **raising** a **Sinking Fund** would be to apply the instalment to the purchase, in the open market, of some of the Debentures about to be redeemed (particularly if the market value be below *par*). When Debentures are thus purchased the total of the original issue should still be shown in B/S, with the amount of those purchased deducted. A more modern method would be to apply the instalment to the payment of the premium on a **Sinking Fund Insurance Policy,** in which case, the entry might be: debit Net-Revenue or P/L. A/c., and credit Insurance Co. When the Premium is paid, debit Insurance Co. and credit Cash. The period allowed for repayment will expire simultaneously with the maturity of the Policy. The effect is seen in the two following Balance Sheets, taken out immediately *before* and *after* the repayment of Debentures.

BALANCE SHEET No. 1.		BALANCE SHEET No. 2.	
Share Cap. £500,000		Share Cap. £500,000	
Debentures £100,000		Reserve .. £100,000	
Cash £600,000		Cash £600,000	
£600,000	£600,000	£600,000	£600,000

The Debentures having been wiped out, not out of the funds of the borrowing Co., but by the Insurance Co., the £600,000 in cash remains intact.

The name "Debenture Holders" may now be changed to "Reserve." The borrowed money has served its purpose, viz., tided the Company over its early stages, during which it has accumulated a fund of its own of a similar amount as the borrowed capital.

279. It is important to distinguish this class of Sinking Fund for *repayment of liabilities* from a Sinking Fund raised for the purpose *of replacing a wasting asset*, for example, a lease. In the latter case it is a **depreciation** charge pure and simple that has to be dealt with, and the instalments are a direct charge against revenue. Suppose the amount be invested in an Insurance Policy, as in the previous illustration. When the Policy matures (which would be simultaneously with the expiration of the lease), one asset "Lease" would disappear from the B/S., and another "Cash" (per Insurance Co.) would take its place. Had the depreciation been *periodically* credited to the asset "Lease" and no outside investment been made, the only difference would be that instead of the asset "Lease" being struck out of the B/S. and replaced by "Cash" in one lump sum, it would gradually disappear, whilst the available cash of the Company (not having been divided among the shareholders, or invested outside) would be gradually increasing in the same proportion.

280. Depreciation represents a *charge* against Revenue in respect of the benefits the trading has derived from the use of the asset, and in fixing the rate to be charged, regard should be had to the following considerations:—(*a*) Original cost of asset. (*b*) Probable duration of asset. (*c*) As to repairs, whether charged to revenue or

not, in addition to depreciation. (*d*) Residuary or break-up value. Whilst there may be cases where it would be most correct to base the charge for depreciation on the output, as in the case of mines.

281. The essential **difference** between **Depreciation** and **Sinking Fund** may be best illustrated, perhaps, by taking the case of a mine. Suppose a Colliery Co. borrows money, say £1000 on Mortgage Debentures, for the purpose of acquiring a new mine, and agrees to repay this in a period of ten years at £100 per year. Now it could not fairly be argued that trading must only be debited with this fixed sum (representing the Sinking Fund Instalment) each year, irrespective of the output. In the event of a larger output in any year, a correspondingly larger amount would be brought to credit of trading, and therefore a correspondingly larger amount should also be brought into charge equivalent to the larger amount of material gotten. The amount repayable to Debenture Holders is accidental, and bears no necessary proportion to the benefit accruing to any one year's trading. But Depreciation is not an arbitrary calculation, and is the only one which, properly adjusted, can represent the fair charge against revenue for any given year. This, therefore, (whatever may be the ultimate result to the P/L. A/c.) is the amount which should be charged; *not* the instalment on Sinking Fund.

282. The following excellent **summary** of the purposes for which **Sinking Funds** exist, as well as the various **entries** connected with the creation and closing of the accounts, has been supplied by Mr. Edwin Wilson, of Halifax:—(**1**) Payment of a Liability for which actual value has been received, as Debentures issued at par repayable at the end of say 15 years at par. (**2**) Payment of a Liability for which no actual value has been received, as payment of a premium on Debentures issued. (**3**) Replacing a specific Asset, as providing money to replace the cost of a Lease upon expiry of an existing one.

1. Repayment of Debentures :—

(*a*) *Profit and Loss Appropriation A/c....Dr.*
To Sinking Fund A/c.

(*b*) *Sinking Fund Investment A/c.....Dr.*
To Bank.

These two entries being made each Year or Half-year when the accounts are made up, until the period arrived for repayment of the debentures, then

(*c*) *Bank..... .....Dr.*
To Sinking Fund Investment A/c.
Being the amount withdrawn from the investment.

(*d*) *Debenture Holders ... .Dr.*
To Bank.
Being the repayment of the Debentures.
The Sinking Fund A/c. being left with a Credit Balance for the amount debited to the Appropriation A/cs. This may now be *balanced into a Reserve A/c.*

2. Providing for Debenture Premium to be paid at the end of a certain period :—

(*a*) *Profit & Loss Appropriation A/c.....Dr.*
To Debenture Premium A/c. (This being the Sinking Fund A/c)

(*b*) *Sinking Fund Investment A/c.....Dr.*
To Bank.
These 2 entries being made each Balancing period as in **1.**

(*c*) *Bank.....Dr.*
To Sinking Fund Investment A/c

(*d*) *Debenture Premium A/c.....Dr.*
To Bank.
Being payment of premium to Debenture Holders.
Or instead of "*d*" the entries may be
Debenture Premium A/c.....Dr.
To Debenture Holders (*Premiums*).
Debenture Holders (*Premiums*) .....*Dr.*
To Bank.

3. To replace a Specific Wasting Asset (Lease) :—

(*a*) *Profit and Loss A/c.* ....*Dr.*
To Leasehold A/c.

(*b*) *Sinking Fund Investment A/c.* .....*Dr.*
To Bank.

(*c*) *Bank* ....*Dr.*
To Sinking Fund Investment A/c.

Amount in the Bank ready to purchase another Lease at the end of the period.

283. PROSPECTUS. The most important practical matter connected with the formation of a Company is the obtaining of capital, and except in the case of converting private businesses into Companies, and in a few cases where money is privately subscribed, this is done by means of a **prospectus,** which is an invitation to the public or the persons to whom it is addressed, to become shareholders or to take up debentures. Every Prospectus issued by or on behalf of a company or in relation to an intended company must be (1) dated, (2) signed by every director or proposed director or by his agent authorised in writing, and (3) filed with the Registrar on or before its publication. It is necessary that the Prospectus should include the following particulars :—(1) Memorandum of Association : Signatories, their descriptions and holdings, but this need not be published in newspaper advertisements. (2) The number of founders' or management shares, and their interest in the property and profits. (3) Directors' description and addresses : their qualification and article as to remuneration. (4) The minimum cash subscription for allotment fixed by memorandum or articles and prospectus. (5) Amount per share payable on application (not less than five per cent.) and on allotment. (6) Particulars of shares and debentures issued as fully or partly paid and the consideration for their issue. (7) The names and addresses of all vendors, whether actual or original, including lessors, who receive any part of the proceeds of the issue. (8) The purchase price of the property ; "goodwill" being separately stated. (9) The

commission for underwriting the shares (not debentures) fixed by the articles and prospectus. (10) The amount or estimate of preliminary expenses. (11) The amount payable to the promoters and the consideration therefor. (12) Dates and parties to all material contracts within three years other than those in the ordinary course of business, and reasonable time and place for inspection. (13) The names and addresses of the auditors (if any). (14) Full disclosure of any personal interest of any director in the transaction; and of all moneys or shares paid or receivable by him. (15) Date of prospectus, and on its face the fact of filing with Registrar. With the view of familiarising himself with the general character and scope of prospectuses the student is advised to peruse a few of those advertised in the daily newspapers and trade journals.

284. A **Statement** in **Lieu** of **Prospectus** must be filed by every new public company which does not issue a Prospectus. It must be signed by every person who is named in it as a director, or proposed director, or by his authorised agent. The Statement must give practically the same particulars as would have to be stated in a Prospectus. The only additional material requirement is that it must disclose the nature of any provisions in the articles precluding holders of shares or debentures receiving and inspecting balance sheets or reports of the auditors or other reports.

285. Along with the prospectus there is enclosed a printed form of **Letter of Application,** which should be filled up by the applicant, requesting the allotment of a specified number of shares, and enclosing a cheque for the sum stipulated to be paid, which must not be less than five per cent. of the nominal amount of each share. If the minimum cash subscription is not provided, the directors cannot allot, and they must, in that event, within forty days from the issue of the prospectus, return all moneys paid on application or become personally liable to the applicants. Upon receipt of sufficient applications for shares to justify the company going to

allotment, the Directors meet and pass a resolution allotting the shares to such applicants as they think fit, and the Secretary then forwards **Letters of Allotment** requesting payment of the amount due on allotment to those persons receiving an allotment, and **Letters of Regret,** with cheques for the return of the deposit, to those whose applications are refused..

286. At the **Statutory Meeting** of shareholders, which must be held not earlier than one month nor later than three months after the allotment, full particulars must be given as to the subscribed capital; the amount paid up; the names of the directors; the amount of the preliminary expenses; and an audited abstract of all receipts and payments. All these particulars embodied in a report must be circulated amongst the shareholders seven days before the meeting and filed with the Registrar. A list of the members and their respective holdings must be open to inspection throughout the meeting.

287. ACCOUNT BOOKS are of two kinds; (1) the ordinary **Financial** or **Account books** which are essential to every concern; (2) **Registry** or **Statistical books,** for recording various details which it is not advisable to crowd into the ordinary account books. For instance, a book recording an analysis of sales as regards periods of time, classes of goods or districts supplied; the Policy Register of an Insurance Co.; the Ground Rent Register of a landlord; the Mortgage Register of a Building Society; the Share Register of a company; &c.

288. In order to comply with the Companies Act a Joint Stock Company must keep at least **five Statutory Books.** (1) **Minute Book,** recording all resolutions and proceedings at meetings of the Directors, Managers, or Members of the Company, sometimes divided into two books, one for the Directors' Minutes and the other for the Minutes of the General Meetings of the Shareholders (2)**Register of Directors and Managers,** showing names, addresses and occupations of, and shares held by each of them (3) **Register of Members** or **Share Register,**stating their names, addresses and occupations, and a statement

of the number of shares held by each member, the distinguishing numbers and the amount paid, or agreed to be considered as paid, on the shares, the date of becoming a member, and the date of ceasing to be a member. The Register of Members must be kept at the registered office of the company, and, except when closed for the purpose of preparing the Dividend List, must be open to the **inspection** of **members** *free of charge*, and to the **public** upon payment of **one shilling,** for at least two hours per day. It is customary to close the Register from seven to fourteen days prior to the annual general meeting, but it may not be closed for more than thirty days in each year (**4**) **Register of Mortgages** and **Charges** specifically affecting the property of the company, and must enter in such Register in respect of each Mortgage a description of the property, the amount of the charge and the names of the Mortgagees (**5**) **Annual Summary** of **Capital** and **Shares Book** showing summary of Capital and Mortgages, List of Members and Directors.

289. An **ANNUAL RETURN** known as "Form E," copied from the last named book, giving a full List of all the Members and Directors; number of shares held by each of them; particulars of those who have ceased to be members since the date of the last list, &c.; also summary of the Capital and the forfeited shares; and the total amount secured on mortgage, is required to be made up to the fourteenth day after the Ordinary General Meeting and transmitted to the Registrar of Joint Stock Companies within seven days of its date A **copy** of this Summary and List of Members may be **demanded** by **any person** at the company's registered office, on payment of sixpence for every hundred words required to be copied. The penalty for refusal to supply such copy is two pounds per day.

A **copy** of "Form E," or any other **Company Forms,** as used when filing for official purposes, also a copy of a Company Prospectus, may be had from the Author, P.O. Box D. 50, Huddersfield, at sixpence each, post free, **for cash.**

No. of Certificate..... FORM No. 6A.

"THE COMPANIES (CONSOLIDATION) ACT, 1908."

FORM E.

As required by Part II. of the Act (Section 26).

SUMMARY OF CAPITAL AND SHARES

OF

THE NICOTINE COMPANY, LIMITED.,

made up to the 20th day of March, 1912.

(Being the Fourteenth Day after the First Ordinary General Meeting in 1912).

Nominal Capital, £500000, divided into*	20000 Ordinary 20000 Preference 10000 Deferred Shares of £10 each.
Total number of Shares taken up* to the 20th day of March (which number must agree with the total shown in the list as held by existing members)	20000 Ordy. 20000 Pref'ce. 10000 Defd.
Number of Shares issued subject to payment wholly in cash	40000
Number of Shares issued as fully paid up otherwise than for cash	10000 Defd.
Number of Shares issued as partly paid up to the extent of £ per Share otherwise than for cash	
†There has been called up on each of 20000 Ordinary Shares-	£10
" " " 20000 Preference "	£10
" " " 10000 Deferred "	£10
‡Total amount of Calls received, including payments on application and allotment	£395500
Total amount (if any) agreed to be considered as paid on Ordinary Shares, which have been issued as fully paid otherwise than in cash	£
Total amount (if any) agreed to be considered as paid on Preference Shares which have been issued as partly paid up to the extent of £ per share	£
Total amount of Calls unpaid	£2250
Total amount (if any) of sums paid by way of Commission in respect of Shares or Debentures or allowed by way of Discount since the date of last summary	£
Total amount (if any) paid on §900 Shares forfeited	£6750
Total amount of Shares and Stock for which Share Warrants to Bearer are outstanding	Shares £ Stock £
Total amount of Share Warrants to Bearer issued and surrendered respectively since date of last summary	Issued £ Surrendered £
Number of Shares or amount of Stock comprised in each Share Warrant to Bearer	Number of Shares £ Amount of Stock £
Total amount of Debt due from the Company in respect of all Mortgages and Charges which are required, (or, in the case of a Company registered in Scotland, which, if the Company had been registered in England, would be required), to be registered with the Registrar of Companies, or which would require registration if created after the first day of July, 1908.	£50000

NOTE.—Banking Companies must also add a List of all their Places of Business.

* Where there are Shares of different kinds or amounts (*e.g.* Preference and Ordinary, or £10 and £5) state the numbers and nominal values separately.

† Where various amounts have been called, or there are Shares of different kinds, state them separately.

‡ Include what has been received on forfeited, as well as on existing Shares.

§ State the aggregate number of Shares forfeited (if any).

The Return must be signed at the End, by the Manager or Secretary of the Company.

290. While the keeping of ordinary account books and the five books just described are alone *compulsory*, it is customary for **Companies** with numerous shareholders to keep the following **additional records**:—(6) Agenda Book, containing a list of the business to be transacted at a meeting. (7) Directors' Attendance Book, which should be signed on the occasion of every board meeting, particularly where the remuneration of the Board is a fixed amount for every meeting attended. (8) Register of Applications and Allotments of Shares and Debentures, similar to example given. (9) Share Ledger, sometimes combined with the Register of Members. (10) Numerical Register of Shares, principally useful where there are a very large number of shareholders and it is desirable to have a ready reference as to the ownership of shares. (11) Shareholders' Address Book. (12) Register of Transfers of Shares or Debentures, similar to example given. (13) Register of Debenture Holders with Register of Transfers. (14) Transfer Receipt Book, for acknowledging the receipt of Transfers of Shares. (15) Transfer Cash Book, where transfers are numerous, for recording the fees received by the Transfer Clerk or Registrar, the total being paid into the bank periodically. (16) Register of Calls, similar to example given. (17) Register of Seals, for recording particulars of documents sealed by the directors. (18) Register of Probate of Wills, presented by the representatives of deceased shareholders upon transfer of shares to the executors or administrators. (19) Register of Documents in the possession of the Company. (20) Dividend Account Book. (21) Debenture Interest Account Book. These books are stocked by **Company Registration Agents,** such as Jordan & Sons, Ltd., 116 & 117, Chancery Lane, London, W.C , and Waterlow & Sons, Ltd., London Wall, London, E.C.

291. With the object of **facilitating** the acquirement of a **practical knowledge** of **Company Accounts,** I have designed the following **Model Exercise** which is practically worked out in full. The transactions, which

introduce as many difficulties as possible within the limits of a single exercise, are all numbered, so as to simplify any references thereto. As a special help to teachers of **classes,** where **graduation** of work is so important, I have followed the model exercise with a very short one, fully worked out, by Mr. Edwin Wilson. Several **short exercises** on Company A/cs. are introduced at this point.

Model Exercise on Company Accounts.

(*See key commencing page 353.*)

(1) Walter Nicotine decides to convert his business of Tobacco Manufacturing into a Limited Liability Company, the latter to take over the following balances on the 31st December, 1910.

Leasehold Tobacco Factory	£6000	
Freehold Tobacco Factory.....	2000	
Machinery and Plant	70000	
Sundry Debtors	90000	
Stocks in Factory and in Bond.....	210000	
Sundry Creditors		£233000

The purchase price agreed upon is £267,000 (which sum includes £122,000 for the Goodwill). (*Enter in Journal.*)

(2) The Company is formed and registered on the 1st Jan., 1911, under the name of *Nicotine, Limited*, the Nominal Capital being fixed at £500,000, divided into 20000 5% Pref. Shares of £10 each, *20000 7% Ordinary Shs. of £10 each, 10000 Deferred Shs. of £10 each, the whole of which are offered for public subscription, except the Deferred Shares, which are issued to the Vendor in part payment of the purchase money; the remainder to be paid in cash on the 30th April, together with interest thereon at 5% from 1st Jan. (*Enter issue of Deferred Shares to Vendor in Journal.*) *The Ordinary Shares must receive 7% before the Deferred Shares shall be entitled to participate in the profits; after which the Deferred Shares shall be entitled to receive the remaining profits, so long as they do not produce more than 7% thereon; and any excess of profits beyond this shall (subject to the usual Reserves) be divisible in equal proportions between the Ordinary and Deferred Shares.

(3) The Directors also invite application for £50000 4% Mortgage Debenture Stock, which is offered to the public at £102%, the premium to be applied towards the reduction of the Preliminary Expenses. The shares and Debenture stock are payable as follows:

1911.		Pref. & Ordy. Shares.	Deb. Stock.
Jan. 4.	On Application	£2 10 -	£5%
„ 7.	On Allotment	5 - -	97%
Feb. 28.	On First Call.....	1 5 -	
Apr. 30.	On Second Call	1 - 5 -	

(4) Interest on the Debenture Stock to be paid on the 30th June and 31st Dec. in each year. (*Enter in C.B.*)

(5) The Pref. Shares to be entitled to a Cumulative Preferential Div. of 5% per ann.; payable half-yearly on the 30th June and 31st Dec. in each year.

(6) The Shares are over subscribed, the applications from the public being as follows :—(*Enter in C.B.*)

	Preference Shares.	Deposit.	Ordinary Shares.	Deposit.
John Heaps	1000	£2500	500	£1250
George Parker	400	1000	200	500
David Eaves	1000	2500	2000	5000
John Whitehead	2000	5000	2500	6250
Joe Swift	400	1000	500	1250
George McAdam....	1200	3000	600	1500
Fred Harris	5000	12500	4000	10000
Albert Bowler	2500	6250	3000	7500
Chas. Spencer.....	1500	3750	1000	2500
Edwin Wilson.....	5000	12500	10000	25000
Ernest Bailey	6000	15000	5000	12500
Beckett & Co.	(Debenture Stock, £2500)			

(7) All the above were allotted in accordance with the applications except as follows :—J. Whitehead allotted 2200 Ordy. instead of 2500; E. Wilson allotted 2000 Pref. and 5000 Ordy. instead of 5000 and 10000; E. Bailey allotted 3000 Pref. and 4500 Ordy. instead of 6000 and 5000; Harris allotted 500 Ordy. instead of 4000.

The excess of application money in these 4 cases is retained by the directors and carried forward towards allotment and calls, except in the case of F. Harris, to whom £5000 is returned All the allottees remitted the amounts due on allotment. *Enter in Journal and in Applications and Allotments Book; post latter to Share Ledger. Enter Cash received on Allotment, and that returned to Harris in C.B.*)

(8) The Bank received on the 28th Feb. the following amounts due in respect of First Call. (*Enter in Journal, Call Book, and C.B.*)

	Pref.	Ordy.		Pref.	Ordy.
John Heaps	£1250	£625	Fred Harris	£6250	
George Parker	500	250	Albert Bowler	3125	£3750
David Eaves.....	1250	2500	Charles Spencer ..	1875	1250
John Whitehead ..	2500	2750	Edwin Wilson	2500	6250
George McAdam ..	1500	750	Ernest Bailey	3750	5625

(9) Apl. 30. The amounts received by the Bank on a/c. of Second Call were as follows:—(*Enter in Journal, Call Book, and C.B.*)

	Pref.	Ordy.		Pref.	Ordy.
John Heaps	£1250	£625	Fred Harris	£6250	
George Parker	500	250	Albert Bowler	3125	£3750
David Eaves.....	1250	2500	Charles Spencer ..	1875	1250
John Whitehead ..	2500	2750	Edwin Wilson....	2500	6250
			Ernest Bailey	3750	5625

(10) Apl. 30. Paid F. Harris £14 5 10 for int. at 5% per ann. on £625. being cash paid in advance from Jan. 6 to Feb. 28=53 days, £4 10 9; Jan. 6 to Apl. 30=114 days, £9 15 1. (*Enter in C.B.*)

(11) Apl. 30. Balance of Purchase Money paid to Vendor, £167,000 together with interest thereon at 5% per ann. to date—4 mos.=£2783 6 8. (*Enter Int. in Jour. and payment in C.B.*) Paid Preliminary Expenses, £5000. (*Cash Book.*)

(12) May 2. George Parker transfers 100 Ordy. Shares to John Heaps, of Bath Street, Batley, Merchant. Registration fee recd. 2/6. (*Enter Transfer in Register of Transfers, and 2/6 in C.B.*)

(13) June 30. Paid half-year's int. on Debentures, less tax at 1/-, £950. The Directors declare and the Bank pays Interim Dividend as follows:—2½% on Pref. Shares, less tax £4655; 3½% on Ordinary Shares, £6825; 3½% on Deferred Shares, £3500.

Pass Tax on Debentures and Interim Divs. through Journal.

(14) At a meeting of the Directors held on 30th Nov., 1911, it was resolved that the following shares be forfeited, viz:—

Joe Swift, 400 Pref. Shares, Nos. 4401 to 4800 }
500 Ordy. ,, ,, 4901 ,, 5400 } *Journalise.*

(15) Charge George McAdam with int. at the rate of 5% per ann. from April 30 to Dec. 31=8 mos., £75 on £2250, being the amount unpaid on Second Call. (*Enter in Journal.*)

(16) Transfer (*through the Journal*) premium on Debenture Stock to the credit of Preliminary Expenses A/c. £1000.

(17) Purchases from Sundry Creditors £250,000; Discounts allowed by ditto £1750; Sales to Sundry Debtors £400,000; Discounts allowed to ditto £3000; Received from Sundry Debtors, £380,000; Sundry Rents received £100.

(18) Paid the following:—Half-year's int. on Debentures less tax, £950; Sundry Creditors, £355,000; Directors' Fees £1000; Wages, £6000; Carriage, £1500; Packing Materials, £2000; Salaries £2000; Sundry Trade Exs., £450; Office Exs., £500; Repairs, £1200; Insurance, £350; Rates and Taxes, £400; Gas, Fuel, &c., £500; Law Charges, £700.

(19) Losses sustained by Bad Debts, £600. Reserve for Discount and Doubtful Debts 1½% on Debtors' balances, £1596,

Allow for Depreciation in respect of:—Freeholds, 2½% £50; Leaseholds, 2½% £150; Machinery, 5% £3500; Goodwill, 10% £12200; The taxable profit is £69225 2 6, for which allow Income Tax @ 1/- in the £. The **Stock** on Dec. 31, 1911, was £150000.

Out of the profits the Directors propose and the Shareholders at their meeting on March 6th, decide to write off the balance of Preliminary Exs., £4000; to place £3000 to a Reserve Fund; to pay on March 13th further dividends on the Pref. Shares at the rate of 2½%; less tax; on the Ordy. and Deferred Shares at the rate of 6½%; and to carry forward £260 5.

292. TRANSFER OF ASSETS AND LIABILITIES on the Purchase or Conversion of a Business. The shortest method of recording these transactions is shown in the key to the model exercise. The following is the method when a Purchase A/c. is opened :—

Purchase Account ..... Dr.	£267000		
To Walter Nicotine (Vendor)			£267000
Being the consideration to be paid by the company for the assignment of business, plant, machinery, premises, &c., mentioned in an agreement dated.....and made between W.N. and A.B., which agreement has this day been adopted by the company to be paid as follows:— 10000 fully paid Deferred Shares of £10 each, £100000; Cash £167000.			
Sundries :			
To Purchase Account ..... Dr.			£500000
For the transfer to the Proper A/cs. of the following as per Schedule annexed to Agreement dated.....			
Freehold Tobacco Factory ..... Dr.	£2000		
Leasehold Tobacco Factory ..... ,,	6000		
Machinery, Fixtures, and Plant ..... ,,	70000		
Sundry Debtors..... ,,	90000		
Tobacco, &c. ..... ,,	210000		
Goodwill ..... ,,	122000		
Purchase Account ..... Dr.	233000		
To Sundry Creditors			233000
For the transfer to the proper A/cs. as per Schedule annexed to the Agreement dated			
Walter Nicotine (Vendor) ..... Dr.	100000		
To Deferred Share Cap. A/c.			100000
For 10000 fully paid shares of £10 each, issued to him as part consideration, etc.			

The £167000 payable to the vendor in cash would pass through the Cash Book to the debit of his a/c. in the Ledger, as also would any interest thereon, after having been journalised and posted.

Dr. **PURCHASE ACCOUNT.** **Cr.**

1911			1911		
Jan. 1	To Walter Nicotine ...	267000	Jan. 1	By Freehold Property...	2000
	,, Sundry Creditors ...	233000		,, Leasehold Factory-...	6000
				,, Machinery, &c.....	70000
				,, Sundry Debtors	90000
				,, Tobacco, &c.....	210000
				,, Goodwill.....	122000
		£500000			£500000

Dr. **VENDOR'S A/C. (Walter Nicotine).** **Cr.**

1911			1911		
Jan. 7	To Deferred Share Capital.....	100000 - -	Jan. 1,	By Purchase A/c....	267000 - -
Apr.30	,, Bank.....	169783 6 8	Apr.30.	,, Interest on £167000 at 5% for 4 mos.	2783 6 8
		£269783 6 8			£269783 6 8

293. PRELIMINARY or **FORMATION EXPENSES** include the cost of the preparation, circulation and advertising of the prospectus, the preparation and printing of the Memorandum and Articles of Association, the fees payable on filing the necessary documents with the Registrar, and generally all legal, accountancy and other work transacted on behalf of the company until the allotment of shares or the issue of the Share Certificates. Unless paid by the promoter or vendor, it is usual to take powers in the Memorandum to pay such expenses; in which case the payment must be entered in the C/B. and posted to the debit of a *Preliminary Expenses A/c.* This amount must be *written off* as quickly as practicable, either from "Forfeited Shares A/c.," "Premiums on Shares A/c.," or by an annual charge against the profits of the business, equally divided over a limited number of years, not exceeding ten, but preferably five years. The following shows the duty, fees, and stamps payable together with an estimate of the expenses incurred in the formation of "Nicotine, Limited."

Duty on Capital - - - - - -	1250	-
Fee Stamp on Memorandum of Association - -	48	15
Deed Stamp on Ditto. - -		10
Deed Stamp on Articles of Association - -		10
Fee Stamp on Ditto. - -		5
Fee Stamp on Notice of Office - - -		5
Stamp on Debenture at 2/6 % - - - -	62	10
Stamp on Purchase Deed at 10/- % - - -	2500	-
Printing and Advertising - - - -	187	5
Legal Charges, Accountancy Expenses, Underwriters and Brokers Commission - -	1000	-
	£5000	-

294. APPLICATION AND ALLOTMENT. A form of application for shares or stock is usually attached to, or enclosed along with the prospectus. This form is filled up by the applicant and forwarded to the company's banker, together with a cheque for the amount of the application money (not less than five per cent. of the nominal amount of each share), which must be entered in the Cash Book, either direct from the application forms, or the list supplied by the banker. Upon receipt of sufficient applications for shares to justify the company going to allotment, the Directors meet and pass a resolution allotting the shares to such applicants as they think fit, and the Secretary then forwards **Letters of Allotment** requesting payment of the amount due on allotment to those persons receiving an allotment, and **Letters of Regret,** with cheques for the return of the deposit, to those whose applications are refused. The total amount due on application and allotment must be entered in the Journal, in which the shareholder's names need not be inserted, if an **Application and Allotments Book** is used, from which the entries may be posted to the **Share Ledger.** Any application money returned, as well as the amounts received on allotment, must be entered in the Cash Book, the latter amounts being posted to the Share Ledger.

295. In the Model Exercise, as indicated above, the shortest method of recording the receipts of the various instalments of Capital is adopted, but in the case of large companies it is considered more convenient to have a *separate* account for each instalment of shares: *e.g.*,

Application A/c., Allotment A/c., 1st Call A/c., 2nd Call A/c. When separate accounts are thus kept they need adjustment when the shares are over-subscribed, as the sum standing to the credit of the Application A/c. would be more than the amount due. The Application A/c. would therefore be debited and Allotment A/c. credited with the amount paid in excess. Where Letters of Regret have to be sent out, Application A/c. is debited and Sundry Applicants credited with the total amount returnable to Applicants who receive no allotment or partial allotment, or the amount returned is posted direct from the Cash Book to the debit of Application A/c. The excess of receipts on the Application in the Model Exercise, is fully recorded in the following Journal entries and Accounts :—

Jan. 4	Preference Share Application A/c. - Dr.	£50000		
	To Preference Share Capital A/c.			£50000
	Being £2 10 0 *per share due on* 20000 *shares.*			
,, 4	Ordinary Share Application A/c. - Dr.	50000		
	To Ordinary Share Capital A/c.			50000
	Being £2 10 0 *per share due on* 20000 *shares.*			
,, 7	Preference Share Allotment A/c. - Dr.	100000		
	To Preference Share Capital A/c.			100000
	Being £5 *per share due on* 20000 *shares.*			
,, 7	Ordinary Share Allotment A/c. - Dr.	100000		
	To Ordinary Share Capital A/c.			100000
	Being £5 *per share due on* 20000 *shares.*			
Feb. 28	Preference Share First Call A/c. - Dr.	25000		
	To Preference Share Capital A/c.			25000
	Being £1 5 0 *per share due on* 20000 *shares.*			
,, 28	Ordinary Share First Call A/c. - Dr.	25000		
	To Ordinary Share Capital A/c.			25000
	Being £1 5 0 *per share due on* 20000 *shares*			
Apr. 30	Preference Share Second Call A/c. - Dr.	25000		
	To Preference Share Capital A/c.			25000
	Being £1 5 0 *per share due on* 20000 *shares.*			
,, 30	Ordinary Share Second Call A/c. - Dr.	25000		
	To Ordinary Share Capital A/c.			25000
	Being £1 5 0 *per share due on* 20000 *shares.*			
	Preference Share Application A/c. - Dr.	15000		
	To Preference Share Allotment A/c.			15000
	Being amount paid in excess on application, and now transferred to allotment (Wilson 3000 *shares, Bailey* 3000 *shares).*			
	Ordinary Share Application A/c. - Dr.	17000		
	To Ordinary Share Allotment A/c			17000
	Being amount paid in excess on application, and now transferred to allotment (Whitehead 300 *shares, Harris* 500 *shares, Wilson* 5000 *shares, Bailey* 500 *shares).*			
	Ordinary Share Application A/c. - Dr.	5000		
	To Fred Harris			5000
	Being amount paid in excess on application, and now returnable to applicant.			

Ordinary Share Application A/c. - Dr.		625	
To Ordinary Share First Call A/c.			625
Being amount paid in excess on application, by F. Harris on 500 shares and now transferred to First Call A/c.			
Ordinary Share Application A/c. - Dr.		625	
To Ordinary Share Second Call A/c.			625
Being amount paid in excess on application, by F. Harris on 500 shares and now transformed to Second Call A/c.			

Dr. Ordinary Share Application A/c. Cr.

1911.		£	1911		£
Jan. 4	To Capital A/c. - -	50000	Jan. 4	By Cash from Sundry Applicants - -	73250
	,, Transfer to Allotment A/c.	17000			
	,, Cash returned - -	5000			
	,, Transfer to 1st Call -	625			
	,, Transfer to 2nd Call -	625			
		£73250			£73250

Dr. Ordinary Share Allotment A/c. Cr.

1911		£	1911		£
Jan. 7	To Capital A/c. - -	100000	Jan. 9	By Cash from Sundry Shareholders - -	83000
				,, Transfer from Application A/c. -	17000
		£100000			£100000

Dr. Ordinary Share First Call A/c. Cr.

1911		£	1911		£
Feb 28	To Capital A/c. - -	25000	Feb. 28	By Cash from Sundry Shareholders - -	23750
				,, Transfer from Application A/c. -	625
				,, Forfeited Shares -	625
		£25000			£25000

Dr. Ordinary Share Second Call A/c. Cr.

1911		£	1911		£
Apr. 30	To Capital A/c. - -	25000	Apr. 30	By Cash from Sundry Shareholders -	23000
				,, Transfer from Application A/c. -	625
				,, Forfeited Shares -	625
				,, Balance unpaid -	750
		£25000			£25000

Dr. **Preference Share Application A/c.** **Cr.**

1911		£	1911		£
Jan. 4	To Capital A/c. - -	50000	Jan. 4	By Cash from Sundry Applicants - - -	65000
	,, Transfer to Allotment A/c.	15000			
		£65000			£65000

Dr. **Preference Share Allotment A/c.** **Cr.**

1911		£	1911		£
Jan. 7	To Capital A/c. - -	100000	Jan. 9	By Cash from Sundry Shareholders - -	85000
				,, Transfer from Application A/c.	15000
		£100000			£100000

Dr. **Preference Share First Call A/c.** **Cr.**

1911		£	1911		£
Feb.28	To Capital A/c. - -	25000	Feb.28	By Cash from Sundry Shareholders - -	24500
				,, Forfeited Shares -	500
		£25000			£25000

Dr. **Preference Share Second Call A/c.** **Cr.**

1911		£	1911		£
Apr.30	To Capital A/c. - -	25000	Apr.30	By Cash from Sundry Shareholders - -	23000
				,, Forfeited Shares -	500
				,, Balance unpaid - -	1500
		£25000			£25000

296. CALLS are requests for payment of instalments due on shares, and are made either in accordance with the terms of the Prospectus or by order of the Directors. The total amount due on each call must be journalised, but the shareholders' names need not be entered if a **Call Book** or "Register of Calls" is used, from which the entries may be posted to the Share Ledger. The cash received in response to the **Call Letter** must be recorded in the Cash Book and posted to the Share Ledger. On **Calls paid in advance** it is usual to allow interest, which, when paid, need only be entered in the Cash Book as shown, or, if preferred, the transaction may be previously journalised, thus:—

Interest A/c.....Dr. £14 5 10
To Fred Harris.....£14 5 10

Interest must be charged on **Calls in Arrear** and journalised like transaction No. 15.

CALL BOOK.

First Call of 25/- *a share made 7th February. Payable* 28*th February.*

Share Ledger Folio.	Name of Shareholder.	No. of Shares held.	Amount due.	Date paid.	Interest	Remarks
				1911		
1	John Heaps	1000	£1250	Feb. 28		
2	George Parker	400	500	,, 28		

297. FORFEITED SHARES. The Articles of Association usually provide that in the event of non-payment of calls, the Directors may, after having given due notice of their intention to the defaulting shareholder, proceed by resolution to forfeit his shares. The entries giving effect to forfeiture would have to be made through the Journal by writing off to a "Forfeited Shares A/c." whatever amounts had been paid upon the shares; and writing back the calls outstanding and so closing the Share Ledger A/c. (*See transaction No. 14*). Until the shares are re-issued, the amount paid up on the forfeited shares must be shown as a Liability in the B/S., but when the shares are again disposed of, the bal. of the *Forfeited Shares A/c.* may be either credited to a Reserve Fund or applied towards the liquidation of an unrealisable asset, such as Preliminary Exs. or Goodwill. The Directors have power to re-issue such shares at a dis. not exceeding the amount originally paid up thereon; and when this is done the resulting deficiency of the *Share Cap. A/c.* must be recovered from the *Forfeited Shares A/c.* by means of a journal entry. Any member whose shares have been forfeited is still liable to pay all calls owing upon such shares *at the time of the forfeiture.*

298. TRANSFER OF SHARES. The main distinction between a partnership and a company is that in the latter the members can **sell** and transfer their shares without the consent of their co-members, unless specially forbidden by the Articles of Association. The original allottee of the

shares of a company remains entitled to the benefit and subject to the obligations of the shares until he has got rid of them either by (*a*) transfer on sale or otherwise (*b*) death or bankruptcy or (*c*) forfeiture or surrender. The first two are commonly referred to as "*the Transfer and Transmission of Shares.*" After the Form of Transfer has been completed by the parties, and deposited with, and passed by, the secretary, he will record the transaction in the **"Register of Transfers,"** from which it will be posted to the Share Ledger to the credit of the transferor, and to the debit of a new a/c. in the name of the transferee. It will thus be seen that the registration of a change of ownership of certain shares does not affect the *Financial Books*, this transaction being merely entered in one of the *Statistical Books*. On the **death** of a shareholder his interest in a company passes to his executor or administrator, who must produce to the secretary of the company the **Probate** of the **Will** of the deceased shareholder, or Letters of Administration to his estate, before the secretary can register the name or names of the executors or administrators. In the case of a **bankruptcy** the right to deal with and to receive the profits of the shares at once vests in the trustee, and he is entitled either to transfer the shares or to have himself registered as a shareholder. It is usual to charge a **Registration Fee** of 2/6 on each transfer. These fees are posted from the C.B. to a *Registration Fees A/c.*; the total amount being transferred on balancing to the Cr. side of the last section of the P. & L. A/c.

REGISTER OF TRANSFERS (Ordinary).

Date.	No. of Transfer.	Transferor.			Transferee				No. of Shares.	Distinctive Numbers.		Remarks.
		Fo. in Share Ledger.	Name.	Address.	Fo. in Share Ledger.	Name	Address.	Occupation.		From	To	
1911 May 2	1	2	George Parker	Vernon Rd., Leeds.	12	John Heaps	8 Bath St. Batley.	Merchant	100	501	600	

299. CAPITAL and REVENUE. Revenue, strictly speaking, is the annual income, profits, interest, or return of any species of property, real or personal. The expression **Revenue A/c.** is a generic term embracing *all* accounts dealing with income, earnings, or profits, against which are charged the costs, expenses, and losses connected therewith, during a given period, the excess of revenue, in the case of a joint stock company, being available for distribution among the shareholders. "Revenue A/c." "Profit and Loss A/c.," and "Income and Expenditure A/c." are synonymous terms, the first-named being principally applied to the a/cs. of railway, lighting and water companies, while "Profit and Loss A/c." is a term used by trading concerns, and "Income and Expenditure A/c." by non-trading associations. The theoretical P. & L. A/c. may be subdivided into (1) Trading A/c. (2) P. & L. A/c (3) Appropriation A/c.; or into (1) Manufacturing A/c. (2) Trading A/c. (3) P. & L. A/c. (4) Appropriation A/c., according as the business is concerned with trading only, or with both manufacturing and trading. The Manufacturing A/c. shows the cost of production, the Trading A/c. the gross profit on trading, the P. & L. A/c. the net profit or loss on the business as a whole, and the Appropriation A/c. the disposition of the profit. The theoretical Income and Expenditure A/c. of a non-trading association may also be subdivided into (1) Income and Expenditure A/c. for the period under review, (2) Appropriation A/c.

300. It is most important, on the one hand, that *none* of the **Capital** or **Assets** should be accounted as income and distributed, and on the other hand, that all expenses, losses and charges incurred in the production of the income, should be duly debited against the same. This subject has necessarily already received much attention in a graduated manner in several parts of the book, particularly in paragraphs 81 and 169. To put it shortly, all money expended in purchasing, constructing, or equipping any kind of property which helps in the production of profit or revenue; as well as that expenditure incurred in permanently improving, enlarging, or

extending any kind of property, so as to increase the revenue-earning capacity thereof, is known as **Capital Expenditure,** and should be debited to the a/c. of the particular asset affected thereby, and *not* charged to revenue, as it causes *no loss*. On the other hand, however, all payments made in respect of renovations, repairs, replacements, etc., which merely have the effect of *maintaining* the value of any existing asset, are "working expenses," causing a loss to the Proprietor, and are therefore known as **Revenue Expenditure**; and should be debited to the Revenue or P/L. A/c., or one of their sub-divisions.

301. Carefully study the a/cs. on pages 217-8, from which it will be seen that there should be debited to revenue, the cost of everything consumed in the process of manufacture, as well as the wages, salaries, rents, royalties, taxes, and all other expenses attending the packing, warehousing, carrying, selling, and distributing of either materials or finished articles; also those losses which are incurred during the period under review, such as repairs and replacements to property, depreciation or reserves on the various assets, interest on capital or loans, sinking fund charges and income tax. Particularly in the purchase of new plant, machinery and tools, is it necessary to distinguish which should be charged to capital and which to revenue. For instance, if any part of the purchase is to *replace* loose tools, the amount should, undoubtedly, be charged to revenue; but if to *increase* or *augment* the existing stock, then the amount should be debited to capital; *i.e.*, the "*Loose Tools A/c.*" which is presumed to have been duly depreciated at each balancing. In case of the sale of any asset at a lower figure than that at which it stands in the books; say, of a horse for £5, which stood at £10; the difference or loss of £5, should, at the time of the sale be charged to revenue by debiting the Depreciation A/c. See the Suspense A/c., par. 158, as to the adjustment of expenses either unpaid, or paid in advance, at the time of balancing. Also see chapter on the Double A/c. system.

302. INCOME TAX should always be deducted on the payment of interest on Debentures, as well as from the dividends payable in respect of Pref. Shares, otherwise an injustice would be done to the Ordinary shareholders. It is quite immaterial whether the tax is deducted or not on the Ordinary Shares, and the statement that "the dividends are payable *free of income tax*" merely indicates that the *gross* dividend declared will be paid to the shareholder, who will *not* be required to pay any further tax upon this source of income, as the Company has already paid the tax upon the whole of the profits earned. No *individual* shareholder is ever called upon to pay income tax upon dividends received from a public company; on the contrary he is entitled to return of the tax on such dividends if his total income does not exceed £160 per annum. In the model exercise the taxable profit is ascertained thus:

Take the *balance* of the first section of the P/L. a/c., plus Interest on Calls, Rents and Registration Fee; total		£55229	2	6
Add Reserve for Doubtful Debts and Discounts		1596	-	-
Add Depreciation	£15900			
Less Depreciation on Machinery ..	3500	12400	-	-
Profit liable to Income Tax		£69225	2	6
Amount payable at 1/- in the £		3461	5	-
Less Tax on Debenture Interest	£100			
Less Tax on Preference Dividends ..	490	590	-	-
Amount to be charged to the P/L. a/c		£2871	5	-

Dr. **Income Tax Collector.** **Cr.**

			£	s.	d.
1911					
June 30	By Interest A/c. (Debentures) ...		50	-	-
,, ,,	,, Dividend A/c. (Pref. Shs.) ...		245	-	
Dec. 31	,, Interest A/c. (Debentures) ...		50	-	-
,, ,,	,, P. & L. A/c. (Tax on Profits)		2871	5	-
1912					
Mar. 6	,, Dividend A/c. (Pref. Shs.) ...		245	-	-

303. PROFITS AND DIVIDENDS. As to what profits are available for dividend, and the manner in which the same are divided between the holders of

shares must be determined in accordance with the Memorandum or Articles of Association. While Interest on Debentures is reckoned exactly from the date of the receipt of the instalments, Dividends on shares are generally declared for an even period irrespective of the receipt of the cash. Dividends upon *partly-paid* shares are usually paid according to the amounts respectively *paid up* thereon, and *not* according to the nominal amount of the shares; moneys paid in advance of calls, and carrying interest, being, of course, excluded from the amounts deemed to be paid up on the shares for this purpose. Where the Directors have power and are satisfied that there are profits to divide, they may declare an **Interim Dividend,** which is a dividend declared before the expiration of the ordinary financial period, either on a/c. of current profits, or out of accumulations. No dividend should be declared on Ordinary or Deferred Shares where the Revenue a/c. shows a loss on the working, or where the profit earned does not extinguish and exceed any previous losses; unless there is a Reserve Fund, out of which it is competent for the Directors to make a distribution. Dividends cannot be paid out of capital, even if the Memorandum or Articles of Association authorise such a payment, as it would be in fact a reduction of capital. Directors who wilfully pay dividends out of capital are personally liable to make good the amount. Shareholders who receive dividends knowing that they are paid out of capital may be ordered to indemnify the directors to the extent of the amounts they have so received.

304. Section 91 of the Companies (Consolidation) Act, authorises the **payment** of **interest** out of **capital** where any shares of a company are issued for the purpose of raising money to defray the **expenses** of the **construction** of any works or buildings, or the provision of any plant, which cannot be made profitable for a *lengthened period*, but subject to the following restrictions:—(1) The payment can only be made if authorised by the Articles or by special resolution, and sanctioned

by the **Board of Trade**; (2) The payment must only be for the period determined by the Board of Trade, not extending beyond the half-year succeeding that in which the works are completed or the plant provided; (3) The rate of interest must not exceed 4 per cent., or such lower rate as may be prescribed by Order in Council; (4) The accounts of the company must show the capital on which, and the rate at which, interest is paid during the period to which the accounts relate.

305. Where there are many shareholders it is convenient to keep a **Dividend Account Book** or List in which to enter all the details. A single cheque should be drawn for the whole amount of the dividend, and paid into a separate banking a/c., against which the dividend warrants for each amount should be issued; thus the balance on this banking (dividend) a/c. will show the amount of **dividends unclaimed,** which should be shown among the liabilities in the B/S.

306. The dividend is paid to the shareholders actually registered in the books of the company before the date fixed for the payment, irrespective of the date when the shares were purchased. Large companies always close the Registers for a week or more prior to the payment of a dividend, so as to stop the registration of new holders while the Dividend List is being prepared.

307. The **circulars** announcing the dividend are usually printed in book form, being perforated into two portions, the upper one being the Dividend Statement and the lower one the Dividend Warrant drawn upon the Company's Bankers. The names and amounts are filled in from the Dividend List and dispatched to the registered shareholder, who would pay the warrant into his banking a/c. in the usual way. Where a shareholder is entitled to repayment of the Income Tax on the dividend it would be necessary for him to attach the Dividend Statement to his claim to the Inland Revenue Department.

DIVIDEND BOOK or SHEET.

Interim Dividend on Preference Shares paid 30th June, 1911.

Folio in Register.	Name of Shareholder.	Number of Shares.	Amount of Shares.	Dividend at 2½ %.	Income Tax deducted at a 1/- in the £		Net amount payable.		Remarks.
		£	£	£	£	s.	£	s.	
1	John Heaps ...	1000	10000	250	12	10	237	10	
2	Geo. Parker ...	400	4000	100	5	-	95	-	
3	David Eaves ...	1000	10000	250	12	10	237	10	
4	J. Whitehead...	2000	20000	500	25	-	475	-	
5	Geo. McAdam	1200	12000	300	15	-	285	-	
6	Fred Harris ...	5000	50000	1250	62	10	1187	10	
7	Alb. Bowler ..	2500	25000	625	31	5	593	15	
8	Chas. Spencer	1500	15000	375	18	15	356	5	
9	Edwin Wilson.	2000	20000	500	25	-	475	-	
10	Ernest Bailey...	3000	30000	750	37	10	712	10	
		19600	196000	4900	245	-	4655	-	

Dr. **Dividend A/c.** **Cr.**

1911		£	1911		£
June 30	To Income Tax A/c. (1/- in the £ on £4900 Pref. Div.)	245	June 30	By P.&L. Appropriation A/c. Preference Div	4900
,, ,,	To Cash :—			Ordinary Div.	6825
	Sundry Pref. Shareholders	4655		Deferred Div.	3500
	Do. Ordy. ,,	6825			
	Do. Defd. ,,	3500			
1912			1912		
Mar. 6	To Income Tax A/c. (1/- in the £ on £4900 Pref. Div.)	245	Mar. 6	By P.& L. Appropriation A/c:- Preference Div.....	4900
,, 18	To Cash :—			Ordinary Div.	12675
	Sundry Pref. Shareholders	4655		Deferred Div.	6500
	Do. Ordy. ,,	12675			
	Do. Defd. ,,	6500			
		£39300			£39300

308. A P/L. Appropriation A/c. is often prepared for the purpose of showing the disposition or application of the net profit. This A/c. is *credited* with the net profit brought from the P/L. or Revenue A/c., also the undivided profit or balance b/f from the previous balancing ; while the *Dr. side* shows the amount placed to the Reserve Fund, the dividends to be paid, and the balance c/f. to the next a/c. (see Appropriation A/c. to Model Exercise, of Nicotine, Ltd.) When an Appropriation A/c. is not used, the disposition of the profit may be

shown in the B/S., where the *net profit* for the *current period* must be shown separate from the balance *brought forward* from the previous balancing, thus :—

Profit & Loss A/c. :—

Balance b/f. 1st January, 1913	£1560	
Add Net Profit for the year.....	17985—19515	
Less Interim Dividend paid.....	5720	
		£13825

After the a/cs. have been submitted to, and passed by, the shareholders, and the proposed appropriation has been sanctioned by them at the General Meeting, these transactions may be journalised.

NICOTINE, LIMITED.

JOURNAL OF MODEL EXERCISE (Page 336).

1911.		Dr.	Cr.
Jan. 1.	Freehold Tobacco Factory .....Dr.	£2000	
	Leasehold Tobacco Factory ..... ,,	6000	
	Machinery, Fixtures & Plant ..... ,,	70000	
	Sundry Debtors..... ,,	90000	
	Tobacco, &c. ..... ,,	210000	
	Goodwill..... ,,	122000	
	To Walter Nicotine (Purchase A/c.)		£500000
	Being Sundry Assets acquired by the Coy. this day as per resolution of the Board No... confirming Agreement of this date between the Company and Walter Nicotine.		
	Walter Nicotine (Purchase A/c.) ..Dr.	233000	
	To Sundry Creditors		233000
	Being Sundry Liabilities taken over by the Company this day as per resolution, &c.		
,, 7.	Walter Nicotine (Share A/c.).....Dr.	100000	
	To Deferred Share Cap. A/c.		100000
	For 10,000 Shares allotted to Walter Nicotine this day as fully paid up in part payment of purchase money, as per resolution of the Board No... confirming Agreement of this date between the Company and Walter Nicotine duly filed with the Registrar of Joint Stock Companies.		

1911				Dr.	Cr.
Jan. 7.	Walter Nicotine (Purchase A/c.)			£100000	
	To Walter Nicotine (Share A/c. ..				£100000
„ 7.	Sundry Shareholders (*Separate A/cs.*)				
	To Preference Share Capital A/c...				
	(Application and Allotment)				150000
	To Ordinary Share Capital A/c. ..				
	(Application and Allotment				150000
		Pref.	Ordy.		
	John Heaps	1000	500	11250	
	George Parker.....	400	200	4500	
	David Eaves	1000	2000	22500	
	John Whitehead	2000	2200	31500	
	Joe Swift	400	500	6750	
	George McAdam.....	1200	600	13500	
	Fred Harris	5000	500	41250	
	Albert Bowler	2500	3000	41250	
	Charles Spencer	1500	1000	18750	
	Edwin Wilson.....	2000	5000	52500	
	Ernest Bailey	3000	4500	56250	
	For 40,000 shares allotted to the above persons upon which £2 10 - has already been paid ; and a further £5 per share is now due.				
„ 7.	Beckett & Co.			51000	
	To 4% Debenture Stock A/c.				50000
	„ Debentnre Premium A/c.				1000
	For total amount due (including premium) on application and allotment of 4% Mortgage Debenture Stock.				
Feb. 28.	Sundry Shareholders (*Separate A/cs.*)..				
	To Pref. Sh. Cap. A/c. (1st Call)..				25000
	„ Ord. Sh. Cap. A/c. (1st Call)..				25000
		Pref.	Ordy.		
	John Heaps	1000	500	1875	
	George Parker.....	400	200	750	
	David Eaves	1000	2000	3750	
	John Whitehead	2000	2200	5250	
	Joe Swift	400	500	1125	
	George McAdam.....	1200	600	2250	
	Fred Harris	5000	500	6875	
	Albert Bowler	2500	3000	6875	
	Charles Spencer	1500	1000	3125	
	Edwin Wilson	2000	5000	8750	
	Ernest Bailey	3000	4500	9375	
	For 1st Call of £1 5 - per share on 40,000 shares due this day.				
Apl. 30.	Sundry Shareholders (*Separate A/cs.*)				
	To Pref. Sh. Cap. A/c. (2nd Call)				25000
	„ Ord. Sh. Cap. A/c. (2nd Call)				25000

1911.		Pref.	Ordy.	Dr.	Cr.
Apl. 30.	John Heaps	1000	500	£1875	
	George Parker.....	400	200	750	
	David Eaves.....	1000	2000	3750	
	John Whitehead	2000	2200	5250	
	Joe Swift	400	500	1125	
	George McAdam.....	1200	600	2250	
	Fred Harris	5000	500	6875	
	Albert Bowler	2500	3000	6875	
	Charles Spencer	1500	1000	3125	
	Edwin Wilson	2000	5000	8750	
	Ernest Bailey	3000	4500	9375	
	For 2nd Call of £1 5 - per share on 20,000 Ordinary and 20,000 Preference Shares due this day.				
Apl. 30.	Interest A/c.			2783/6/8	
	To W. Nicotine (Purchase A/c.)				£2783/6/8
	For Interest at the rate of £5% per ann. for 4 mos. on £167,000 being balance of purchase money.				
June 30.	Interest A/c.			50	
	To Income Tax Collector				50
	For Tax @ 1/- in the £ on ½ year's Interest on Debentures.				
June 30.	P. & L. Appropriation A/c.....			14980	
	To Div. A/c. 2½% Pref. Shs. (less tax)				4655
	,, Do. 3½% Ordinary Shares				6825
	,, Do. 3½% Deferred Shares				3500
	Being the aggregate amount of Interim Dividends declared by the Directors at a Meeting held this day.				
Nov. 30.	Preference Share Capital A/c.			4000	
	Ordinary Share Capital A/c.			5000	
	To Forfeited Shares A/c.....				9000
	Being 400 Pref. Shares Nod. 4401 to 4800 and 500 Ord. Shares Nod. 4901 to 5400 forfeited by a resolution of the Directors on this date.				
	Forfeited Shares A/c.			2250	
	To Joe Swift				2250
	For transfer of balance unpaid on 400 Pref. and 500 Ordinary Shares.				
Dec. 31.	George McAdam			75	
	To Interest A/c.....				75
	Being Interest at the rate of 5% per ann. on £2250, being the amount unpaid on 2nd call.				

1911		Dr.	Cr.
Dec. 31.	Purchases A/c.	£250000	
	To Sundry Creditors		£250000
	Sundry Creditors	1750	
	To Discounts		1750
	Sundry Debtors.....	400000	
	To Sales A/c.		400000
	Discounts	3000	
	To Sundry Debtors		3000
	Interest A/c.	50	
	To Income Tax Collector		50
	For Tax @ 1/- in the £ on ½ year's Interest on Debentures.		
	Bad Debts	600	
	To Sundry Debtors		600
	Debenture Premium A/c.	1000	
	To Preliminary Expenses		1000
	Profit & Loss A/c.....	1596	
	To Reserve for Doubtful Debts & Discount at 1½%		1596
	Profit & Loss A/c. (Depreciation)	15900	
	To Freehold Property (2½%)		50
	,, Leasehold Property (2½%)		150
	,, Machinery, &c. (5%)		3500
	,, Goodwill (10%)		12200
	Profit & Loss A/c.....	3361/5	
	To Income Tax Collector		3361/5
	For Tax @ 1/- in the £ on Taxable Profit.		
1912.			
Mar. 6.	P. & L. Appropriation A/c.....	23830	
	To Div. A/c. 2½% Pref. Shs. (less tax)		4655
	,, Do. 6¼% Ordinary Shares..		12675
	,, Do. 6½% Deferred Shares..		6500
	Being the aggregate amount of Divs. voted by Shareholders at General Meeting held this day.		
Mar. 6.	P. & L. Appropriation A/c.	4000	
	To Preliminary Expenses A/c.		4000
	Being the amount transferred to extinguish the latter a/c. by resolution of General Meeting held this day.		
Mar. 6.	P. & L. Appropriation A/c.....	3000	
	To Reserve Fund A/c.		3000
	Being the amount transferred to latter a/c. by resolution of General Meeting held this day.		

NICOTINE, LIMITED. SHARE LEDGER (Ordinary.)

JOHN HEAPS, 8 Bath Street, Batley, Merchant.

CASH ACCOUNT. SHARE ACCOUNT.

Dr. Amount payable.					Cash paid. Cr.				Shares Acquired.					Shares Transferred.					
Date.	Particulars.	Amount called up.	Fo.	Amount	Date.	Particulars.	Fo.	Amount	Date.	No. of Transfer or Allotment.	No. of Shares acquired.	Inclusive Numbers From	Inclusive Numbers To	Date.	Transfer No.	No. of Shares Transferred.	Inclusive Numbers. From	Inclusive Numbers. To	Balance of Shares.
1911				£	1911			£	1911										
Jan. 7	To Share Cap.				Jan. 4	By Cash. Appl.	CB1	1250	Jan. 7	1	500	1	500						500
	Application &	s.			,, 9	,, do. Allot.	CB1	2500	May 2	1	100	501	600						600
	Allotment.....	150	J.1	3750	Feb. 28	,, do. 1st Call	CB1	625											
Feb. 28	,, Share Cap.:	s.			Apl. 30	,, do. 2nd ,,	CB1	625											
	First Call	25	J.2	625															
Apl. 30	,, Share Cap.:	s.																	
	Second Call ...	25	J.2	625															
				£5000				£5000											

GEORGE PARKER, Vernon Road, Leeds, Cashier.

1911					1911				1911					1911					
Jan. 7	To Share Cap.:				Jan. 4	By Cash, Appl.	CB1	500	Jan. 7	2	200	501	700	May 2	1	100	501	600	100
	Application &	s.			,, 9	,, do. Allot.	CB1	1000											
	Allotment	150	J.1	1500	Feb. 28	,, do. 1st Call	CB1	250											
Feb. 28	,, Share Cap.:	s.			Apl. 30	,, do. 2nd ,,	CB1	250											
	First Call	25	J.2	250															
Apl. 30	,, Share Cap.:	s.																	
	Second Call ...	25	J.2	250															
				£2000				£2000											

DAVID EAVES, 1 Mount Street, Hull, Schoolmaster.

1911				£	1911			£	1911						
Jan. 7	To Share Cap.: Application & Allotment	s. 150	J.1	15000	Jan. 4	By Cash, Appl.	CB	5000	Jan. 7	3	2000	701	2700		2000
					,, 9	,, do. Allot.	CB1	10000							
Feb. 28	,, Share Cap.: First Call	s. 25	J.2	2500	Feb. 28	,, do. 1st Call	CB1	2500							
					Apl. 30	,, do. 2nd Call	CB1	2500							
Apl. 30	,, Share Cap.: Second Call ...	s. 25	J.2	2500											
				£20000				£20000							

JOHN WHITEHEAD, 76 Portman Road, Bolton, Surveyor.

1911				£	1911			£	1911						
Jan. 7	To Share Cap.: Application & Allotment	s. 150	J.1	16500	Jan. 4	By Cash, Appl.	CB1	6250	Jan. 7	4	2200	2701	4900		2200
					,, 9	,, do. Allot.	CB1	10250							
Feb. 28	,, Share Cap.: First Call	s. 25	J.2	2750	Feb. 28	,, do. 1st Call	CB1	2750							
					Apl. 30	,, do. 2nd Call	CB1	2750							
Apl. 30	,, Share Cap.: Second Call ...	s. 25	J.2	2750											
				£22000				£22000							

JOE SWIFT, Moor Lane, Sheffield, Engineer.

1911				£	1911			£	1911						
Jan. 7	To Share Cap.: Application & Allottment.....	s. 150	J.1	3750	Jan. 4	By Cash, Appl.	CB1	1250	Jan. 7	5	500	4901	5400		
					,, 9	,, do. Allot.	CB1	2500							
Feb. 28	,, Share Cap.: First Call	s. 25	J.2	625	Nov. 30	,, Forfeited Shares A/c.	J 3	1250							
Apl. 30	,, Share Cap.: Second Call ...	s. 25	J.2	625											
				£5000				£5000							

GEORGE McADAM, Peel Place, Edinburgh, Solicitor.

1911				£	1911			£	1911						600
Jan. 7	To Share Cap. : Application & Allotment	s. 150	J.1	4500	Jan. 4	By Cash, Appl.	CB1	1500	Jan. 7	6	600	5401	6000		
					,, 9	,, do. Allot.	CB1	3000							
Feb. 28	,, Share Cap. : First Call	s. 25	J.2	750	Feb. 28	,, do. 1st Call	CB1	750							
					Dec. 31	,, *Balance... c/f*		775							
Apl. 30	,, Share Cap. : Second Call ...	s. 25	J.2	750											
Dec. 31	,, Interest			25											
				£6025				£6025							

FRED HARRIS, Broadway, Bexley Heath, Book-keeper.

1911				£	1911			£	1911						500
Jan. 7	To Share Cap. : Application & Allotment	s. 150		3750	Jan. 4	By Cash, Appl.		10000	Jan. 7	7	500	6001	6500		
,, 9	,, Cash			5000											
Feb. 28	,, Share Cap. : First Call	s. 25		625											
Apl. 30	,, Share Cap. : Second Call ...	s. 25		625											
				£10000				£10000							

ALBERT BOWLER, 5 Queen's Row, Portsmouth, Shipowner.

1911				£	1911			£	1911						3000
Jan. 7	To Share Cap. : Application & Allotment	s. 150		22500	Jan. 4	By Cash, Appl.		7500	Jan. 7	8	3000	6501	9500		
					,, 9	,, do. Allot.		15000							
Feb. 28	,, Share Cap. : First Call	s. 25		3750	Feb. 28	,, do. 1st Call		3750							
					Apl. 30	,, do. 2nd Call		3750							
Apl. 30	,, Share Cap. : Second Call ...	s. 25		3750											
				£30000				£30000							

CHARLES SPENCER, 9 Beever Road, Halifax, Accountant.

1911			£	1911		£	1911						
Jan. 7	To Share Cap.: Application &	s.		Jan. 4	By Cash, Appl.	2500	Jan. 7	9	1000	9501	10500		1000
	Allotment	150	7500	,, 9	,, do. Allot.	5000							
Feb. 28	,, Share Cap.:	s.		Feb. 28	,, do. 1st Call	1250							
	First Call	25	1250	Apl. 30	,, do. 2nd Call	1250							
Apl. 30	,, Share Cap.:	s.											
	Second Call ...	25	1250										
			£10000			£10000							

EDWIN WILSON, 23 George Street, Halifax, Banker.

1911			£	1911		£	1911						
Jan. 7	To Share Cap.: Application &	s.		Jan. 4	By Cash, Appl.	25000	Jan. 7	10	5000	10501	15500		5000
	Allotment	150	37500	,, 9	,, do. Allot.	12500							
Feb. 28	,, Share Cap.:	s.		Feb. 28	,, do. 1st Call	6250							
	First Call	25	6250	Apl .30	,, do. 2nd Call	6250							
Apl. 30	,, Share Cap.:	s.											
	Second Call ...	25	6250										
			£50000			£50000							

ERNEST BAILEY, 7 Manor Drive, Bradford, Iron Founder.

1911			£	1911		£	1911						
Jan. 7	To Share Cap.: Application &	s.		Jan. 4	By Cash, Appl.	12500	Jan. 7	11	4500	15501	20000		4500
	Allotment	150	33750	,, 9	,, do. Allot.	21250							
Feb. 28	,, Share Cap.:	s.		Feb. 28	,, do. 1st Call	5625							
	First Call	25	5625	Apl. 30	,, do. 2nd Call	5625							
Apl. 30	,, Share Cap.:	s.											
	Second Call ...	25	5625										
			£45000			£45000							

NICOTINE, LIMITED. SHARE LEDGER (Preference).

JOHN HEAPS, 8 Bath Street, Batley, Merchant.

CASH ACCOUNT. SHARE ACCOUNT.

Dr. Amount payable.					Cash paid. Cr.				Shares Acquired.					Shares Transferred.					Balance of Shares.
Date	Particulars.	Amount called for.	Fo.	Amount	Date.	Particulars.	Fo.	Amount	Date.	No. of Transfer or Allotment.	No. of Shares acquired.	Inclusive Numbers From	Inclusive Numbers To	Date.	Transfer No.	No. of Shares Transferred.	Inclusive Numbers. From	Inclusive Numbers. To	
1911				£	1911			£	1911										
Jan. 7	To Share Cap. :				Jan. 4	By Cash, Appl.		2500	Jan. 7	1	1000	1	1000						1000
	Application &	s.			,, 9	,, do. Allot.		5000											
	Allotment	150		7500	Feb. 28	,, do. 1st Call		1250											
Feb. 28	,, Share Cap. :	s.			Apl. 30	,, do. 2nd Call		1250											
	First Call	25		1250															
Apl. 30	,, Share Cap. :	s.																	
	Second Call ...	25		1250															
				£10000				£10000											

GEORGE PARKER, Vernon Road, Leeds, Cashier.

1911				£	1911			£	1911										
Jan. 7	To Share Cap. ;				Jan. 4	By Cash, Appl.		1000	Jan. 7	2	400	1001	1400						400
	Application &	s.			,, 9	,, do. Allot.		2000											
	Allotment	150		3000	Feb. 28	,, do. 1st Call		500											
Feb. 28	,, Share Cap. :	s.			Apl. 30	,, do. 2nd Call		500											
	First Call	25		500															
Apl. 30	,, Share Cap. :	s.																	
	Second Call ...	25		500															
				£4000				£4000											

DAVID EAVES, 1 Mount Street, Hull, Schoolmaster.

1911			£	1911		£	1911					
Jan. 7	To Share Cap.: Application &	s.		Jan. 4	By Cash, Appl.	2500	Jan. 7	3	1000	1401	2400	1000
	Allotment	150	7500	,, 9	,, do. Allot.	5000						
Feb. 28	,, Share Cap.:	s.		Feb. 28	,, do. 1st Call	1250						
	First Call	25	1250	Apl. 30	,, do. 2nd Call	1250						
Apl. 30	,, Share Cap.:	s.										
	Second Call ...	25	1250									
			£10000			£10000						

JOHN WHITEHEAD, 76 Portman Road, Bolton, Surveyor.

1911			£	1911		£	1911					
Jan. 7	To Share Cap.: Application &	s.		Jan. 4	By Cash, Appl.	5000	Jan. 7	4	2000	2401	4400	2000
	Allotment	150	15000	,, 9	,, do. Allot.	10000						
Feb. 28	,, Share Cap.:	s.		Feb. 28	,, do. 1st Call	2500						
	First Call	25	2500	Apl. 30	,, do. 2nd Call	2500						
Apl. 30	,, Share Cap.:	s.										
	Second Call ...	25	2500									
			£20000			£20000						

JOE SWIFT, Moor Lane, Sheffield, Engineer.

1911			£	1911		£	1911					
Jan. 7	To Share Cap.: Application &	s.		Jan. 4	By Cash, Appl.	1000	Jan. 7	5	400	4401	4800	
	Allotment	150	3000	,, 9	,, do. Allot.	2000						
Feb. 28	,, Share Cap.:	s.		Nov. 3	,, Forfeited Shares A/c.	1000						
	First Call	25	500									
Apl. 30	,, Share Cap.:	s.										
	Second Call ...	25	500									
			£4000			£4000						

GEORGE McADAM, Peel Place, Edinburgh, Solicitor.

1911			£	1911		£	1911							
Jan. 7	To Share Cap. :			Jan. 4	By Cash, Appl.	3000	Jan. 7	6	1200	4801	6000			1200
	Application &	s.		,, 9	,, do. Allot.	6000								
	Allotment	150	9000	Feb. 28	,, do. 1st Call	1500								
Feb. 28	,, Share Cap. :	s.		Dec. 31	,, *Balance c/f*	1550								
	First Call ...	25	1500											
Apl. 30	,, Share Cap. :	s.												
	Second Call ...	25	1500											
Dec. 31	,, Interest		50											
			£12050			£12050								

FRED HARRIS, Broadway, Bexley Heath, Book-keeper.

1911			£	1911		£	1911							
Jan. 7	To Share Cap. :			Jan. 4	By Cash, Appl.	12500	Jan. 7	7	5000	6001	11000			5000
	Application &	s.		,, 9	,, do. Allot.	25000								
	Allotment	150	37500	Feb. 28	,, do. 1st Call	6250								
Feb. 28	,, Share Cap. :	s.		Apl. 30	,, do. 2nd Call	6250								
	First Call	25	6250											
Apl. 30	,, Share Cap. :	s.												
	Second Call ...	25	6250											
			£50000			£50000								

ALBERT BOWLER, 5 Queen's Row, Portsmouth, Shipowner.

1911			£	1911		£	1911							
Jan. 7	To Share Cap. :			Jan. 4	By Cash, Appl.	6250	Jan. 7	8	2500	11001	13500			2500
	Application &	s.		,, 9	,, do. Allot.	12500								
	Allotment	150	18750	Feb. 28	,, do. 1st Call	3125								
Feb. 28	,, Share Cap. :	s.		Apl. 30	,, do. 2nd Call	3125								
	First Call	25	3125											
Apl. 30	,, Share Cap. :	s.												
	Second Call ...	25	3125											
			£25000			£25000								

CHARLES SPENCER, 9 Beever Road, Halifax, Accountant.

1911			£	1911		£	1911						
Jan. 7	To Share Cap. : Application &	s.		Jan. 4	By Cash, Appl.	3750	Jan. 7	9	1500	13501	15000		1500
	Allotment	150	11250	,, 9	,, do. Allot.	7500							
Feb. 28	,, Share Cap. :	s.		Feb. 28	,, do. 1st Call	1875							
	First Call	25	1875	Apl. 30	,, do. 2nd Call	1875							
Apl. 30	,, Share Cap. :	s.											
	Second Call ...	25	1875										
			£15000			£15000							

EDWIN WILSON, 23 George Street, Halifax, Banker.

1911			£	1911		£	1911						
Jan. 7	To Share Cap. : Application &	s.		Jan. 4	By Cash, Appl.	12500	Jan. 7	10	2000	15001	17000		2000
	Allotment	150	15000	,, 9	,, do. Allot.	2500							
Feb. 28	,, Share Cap. :	s.		Feb. 28	,, do. 1st Call	2500							
	First Call	25	2500	Apl. 30	,, do. 2nd Call	2500							
Apl. 30	,, Share Cap. :	s.											
	Second Call ...	25	2500										
			£20000			£25000							

ERNEST BAILEY, 7 Manor Drive, Bradford, Ironfounder.

1911			£	1911		£	1911						
Jan. 7	To Share Cap. : Application &	s.		Jan. 4	By Cash, Appl.	15000	Jan. 7	11	3000	17001	20000		3000
	Allotment	150	22500	,, 9	,, do. Allot.	7500							
Feb. 28	,, Share Cap. :	s.		Feb. 28	,, do. 1st Call	3750							
	First Call	25	3750	Apl. 30	,, do. 2nd Call	3750							
Apl. 30	,, Share Cap. :	s.											
	Second Call ...	25	3750										
			£30000			£30000							

NICOTINE, LIMITED. IMPERSONAL LEDGER.

Dr. **Preference Share Capital A/c.** **Cr.**

1911		£	1911		£
Nov. 30	To Forfeited Shares A/c. : 400 Shares numbered 4401 to 4800.....	4,000	Jan. 7	By Application and Allotment: 20,000 Shares £2 10s. 0d. on application, £5 on allotment	150,000
Dec. 31	,, *Balance*.....*c/d*	196,000	Feb. 28	,, First Call £1 5s 0d. per Share	25,000
			April 30	,, Second Call £1 5s. 0d. per Share ...	25,000
		£200,000			£200,000
			1912		
			Jan. 1	By Balance.....b/d	£196,000

Dr. **Ordinary Share Capital A/c.** **Cr.**

1911		£	1911		£
Nov. 30	To Forfeited Shares A/c. : 500 Shares numbered 4901 to 5400.....	5,000	Jan. 7	By Application and Allotment: 20,000 Shares £2 10s. 0d. on application, £5 on allotment	150,000
Dec. 31	,, *Balance*.....*c/d*	195,000	Feb. 28	,, First Call £1 5s. 0d. per Share	25,000
			April 30	,, Second Call £1 5s. 0d. per Share ...	25,000
		£200,000			£200,000
			1912		
			Jan. 1	By Balance.....b/d	£195,000

Dr. **Deferred Share Capital A/c.** **Cr.**

1911		£	1911		£
Dec. 31	*To Balance*.....*c/d*	100,000	Jan. 7	By W. Nicotine (Purchase A/c.)	100,000
		£100,000			£100,000
			1912		
			Jan. 1	By Balance.....b/d	£100,000

Dr. **4% Debenture Stock A/c.** **Cr.**

1911		£	1911		£
Dec. 31	*To Balance*.....*c/d*	50,000	Jan. 7	By Beckett & Co.	50,000
		£50,000			£50,000
			1912		
			Jan. 1	By Balance.....b/d	£50,000

Dr. Walter Nicotine (Purchase A/c.). Cr.

1911		£	s.	d.	1911		£	s.	d.
Jan. 1	To Sundry Creditors A/cs. transferred to Nicotine, Limited	233,000	-	-	Jan. 1	By Sundry Accounts, being Assets acquired by Nicotine, Limited	500,000	-	-
„ 7	„ Deferred Share Capital A/c., 10,000 £10 Shares allotted as fully paid this day	100,000	-	-	Apl. 30	„ Interest on balance of Purchase Money: £167,000 at £5% for 4 months	2,783	6	8
Apl. 30	„ Bank	169,783	6	8					
		£ 502,783	6	8			£ 502,783	6	8

Dr. Forfeited Shares Account. Cr.

1911			1911		
Nov. 30	To Joe Swift: Balance unpaid on 400 Preference and 500 Ordinary Shares	£2250	Nov. 30	By Preference Share Capital A/c., being 400 Shares numbered 4401 to 4800	£4000
Dec. 31	„ *Balance* c/d	6750		„ Ordinary Share Capital A/c., being 500 Shares numbered 4901 to 5400	5000
		£9000			£9000
			1912 Jan. 1	By Balance b/d	6750

REGISTER OF MORTGAGES.

Date of Charge	Name and Address of Mortgagee	Short Particulars of Property Charged	Amount of Charge	Remarks.

NICOTINE, LIMITED.

Trial Balance of Model Company Exercise.	Totals.		Balances.	
	Dr.	Cr.	Dr.	Cr.
Preference Share Cap. A/c..	4,000	200,000		196,000
Ordinary Share Cap. A/c. ..	5,000	200,000		195,000
Deferred Share Cap. A/c. ..		100,000		100,000
Debenture Stock A/c.....		50,000		50,000
Debenture Premium A/c. ..		1,000		1,000
Bank	831,600/2/6	568,277/12/6	263,322/10/-	
W. Nicotine (Purchase A/c.)	502,783/6/8	502,783/6/8		
Freehold Tobacco Factory..	2,000		2,000	
Leasehold Tobacco Factory.	6,000		6,000	
Machinery, Fixtures & Plant	70,000		70,000	
Trading A/c. (Stock)	210,000		210,000	
Goodwill A/c.	122,000		122,000	
Purchases A/c.	250,000		250,000	
Sales A/c.		400,000		400,000
Income Tax Collector.....		100		100
Sundry Debtors	490,000	383,600	106,400	
Sundry Creditors	356,750	483,000		126,250
Calls in arrear	2,325		2,325	
Forfeited Shares A/c.....	2,250	9,000		6,750
Interest A/c. (Vendor)	2,783/6/8		2,783/6/8	
Interest on Debentures A/c..	2,000		2,000	
Interest on Calls in Advance	14/5/10		14/5/10	
Interest on Calls in Arrear..		75		75
Discount A/c.	3,000	1,750	1,250	
Bad Debts A/c.....	600		600	
Preliminary Expenses A/c. ..	5,000		5,000	
Registration Fee A/c.....		/2/6		/2/6
Dividend A/c.	14,980	14,980		
Rents A/c.		100		100
Directors' Fees A/c.	1,000		1,000	
Wages A/c.	6,000		6,000	
Carriage A/c.	1,500		1,500	
Packing Materials A/c.	2,000		2,000	
Salaries A/c.	2,000		2,000	
Trade Expenses A/c.	450		450	
Office Expenses A/c.	500		500	
Repairs A/c.	1,200		2,000	
Insurance A/c.	350		350	
Rates and Taxes A/c.	400		400	
Gas, Fuel, &c., A/c.	500		500	
Law Charges A/c.	700		700	
P. & L. (Appropriation A/c.)	14,980		14,980	
£	2,914,666/1/8	2,914,666/1/8	1,075,275/2/6	1,075,275/2/6

Dr. **CASH**

1911		Pref.	Ordy.	Bank.
Jan. 4.	To John Heaps(*Application*)	£2500 ..	£1250 ..	£3750 - -
	,, George Parker.....	1000 ..	500 ..	1500 - -
	,, David Eaves	2500 ..	5000 ..	7500 - -
	,, John Whitehead.....	5000 ..	6250 ..	11250 - -
	,, Joe Swift	1000 ..	1250 ..	2250 - -
	,, George McAdam	3000 ..	1500 ..	4500 - -
	,, Fred Harris	12500 ..	10000 ..	22500 - -
	,, Albert Bowler	6250 ..	7500 ..	13750 - -
	,, Charles Spencer	3750 ..	2500 ..	6250 - -
	,, Edwin Wilson.....	12500 ..	25000 ..	37500 - -
	,, Ernest Bailey	15000 ..	12500 ..	27500 - -
	,, Beckett & Co.			2500 - -
,, 9.	,, John Heaps (*Allotment*)	5000 ..	2500 ..	7500 - -
	,, George Parker	2000 ..	1000 ..	3000 - -
	,, David Eaves	5000 ..	10000 ..	15000 - -
	,, John Whitehead.....	10000 ..	10250 ..	20250 - -
	,, Joe Swift	2000 ..	2500 ..	4500 - -
	,, George McAdam.....	6000 ..	3000 ..	9000 - -
	,, Fred Harris	25000 ..	..	25000 - -
	,, Albert Bowler	12500 ..	15000 ..	27500 - -
	,, Charles Spencer	7500 ..	5000 ..	12500 - -
	,, Edwin Wilson.....	2500 ..	12500 ..	15000 - -
	,, Ernest Bailey	7500 ..	21250 ..	28750 - -
	,, Beckett & Co.			48500 - -
Feb. 28.	,, John Heaps (1*st Call*)..	1250 ..	625 ..	1875 - -
	,, George Parker.....	500 ..	250 ..	750 - -
	,, David Eaves	1250 ..	2500 ..	3750 - -
	,, John Whitehead	2500 ..	2750 ..	5250 - -
	,, George McAdam	1500 ..	750 ..	2250 - -
	,, Fred Harris.....	6250 ..	..	6250 - -
	,, Albert Bowler	3125 ..	3750 ..	6875 - -
	,, Charles Spencer	1875 ..	1250 ..	3125 - -
	,, Edwin Wilson.....	2500 ..	6250 ..	8750 - -
	,, Ernest Bailey	3750 ..	5625 ..	9375 - -
Apl. 30.	,, John Heaps (2*nd Call*)	1250 ..	625 ..	1875 - -
	,, George Parker.....	500 ..	250 ..	750 - -
	,, David Eaves	1250 ..	2500 ..	3750 - -
	,, John Whitehead	2500 ..	2750 ..	5250 - -
	,, Fred Harris.....	6250 ..	..	6250 - -
	,, Albert Bowler	3125 ..	3750 ..	6875 - -
	,, Charles Spencer	1875 ..	1250 ..	3125 - -
	,, Edwin Wilson.....	2500 ..	6250 ..	8750 - -
	,, Ernest Bailey	3750 ..	5625 ..	9375 - -
May 2.	,, Registration Fee	*Post above to*		2 6
Dec. 31.	,, Sundry Debtors	*Share Ledger.*		380000 - -
,, 31.	,, Sundry Rents			100 - -
				£831600 2 6

BOOK, **Cr.**

1911		Bank.
Jan. 9.	By Fred Harris (Application money returned)	£5000 - -
Apl. 30.	„ Interest A/c. (Fred Harris for interest at the rate 5% per ann. on £625, being cash paid in advance from Jan. 6 to Feb. 28, 53 days=£4 10 9; and from Jan. 6 to April 30, 114 days=£9 15 1; the former sum being the interest due up to the date of first call, and the latter sum being the interest due up to the date of the second call)	14 5 10
	„ Walter Nicotine (Purchase A/c.)	169783 6 8
	„ Preliminary Expenses A/c.	5000 - -
June 30.	„ Int. A/c. (½ yrs. on Debentures) less tax	950 - -
	„ Dividend A/c. Int. Div. on Pref. Shares	4655 - -
	„ Ditto Ordy. „	6825 - -
	„ Ditto Defd. „	3500 - -
Dec. 31.	„ Int. A/c. (½ yrs. on Debentures) less tax	950 - -
	„ Sundry Creditors	355000 - -
	„ Directors' Fees	1000 - -
	„ Wages	6000 - -
	„ Carriage	1500 - -
	„ Packing Materials	2000 - -
	„ Salaries	2000 - -
	„ Sundry Trade Expenses	450 - -
	„ Office Expenses	500 - -
	„ Repairs	1200 - -
	„ Insurance	350 - -
	„ Rates and Taxes	400 - -
	„ Gas, Fuel, &c.	500 - -
	„ Law Charges	700 - -
	„ *Balance* ..... *c/f*	263322 10 -
		£831600 2 6

NICOTINE, LIMITED.

Dr. Trading A/c. for the year ended 31st December, 1911. Cr.

	£	£		£
To Stock, 1st January, 1911	210000		By Sales	400000
,, Purchases	250000		,, STOCK, 31st December ...	150000
		460000		
,, Carriage	1500			
,, Packing Materials	2000			
,, Wages	6000			
		9500		
,, **Gross Profit** *carried to Profit and Loss A/c*		80500		
		£550000		£550000

Profit & Loss A/c.

Dr. For the year ended 31st December, 1911. **Cr.**

		£		£
To Salaries		2000	By Gross Profit from Trading A/c.	80500
,, Trade Expenses		450	,, Discount	1750
,, Office Expenses		500		
,, Repairs		1200		
,, Insurance		350		
,, Rates and Taxes		400		
,, Gas, Fuel, &c.		500		
,, Law Charges		700		
,, Discounts	£3000			
,, Bad Debts	600			
,, Reserve for Doubtful Debts and Discount	1596			
		5196		
,, Depreciation		15900		
,, *Balance carried down*		55054		
		£82250		£82250

	£	s.	d.	£	s.	d.		£	s.	d.
To Int. on Debentures ...	2000	-	-				By Balance brought down	55054	-	-
,, Interest paid Vendor	2783	6	8				,, Interest on Calls in arrear	75	-	-
,, Interest on Calls paid in advance	14	5	10				,, Rents received	100	-	-
				4797	12	6	,, Registration Fee.....	-	2	6
,, Income Tax on Profits	3461	5	-							
,, Less Tax on Deb. Int.	100	-	-							
				3361	5	-				
,, Directors' Fees				1000	-	-				
,, **Net Profit** *carried to Appropriation A/c.*				46070	5	-				
				£55229	2	6		£55229	2	6

Dr. Appropriation of Profit A/c. Cr.

	£	s.		£	s.
To Interim Dividends paid :—			By Net Profit from P. & L. A/c.	46070	5
2½% on £196000 Pref. Shares	£4900				
Less Tax	245				
		4655 -			
3¼% on £195000 Ordy Shares		6825 -			
3½% on £100000 Defd. Shares		3500 -			
To further Dividend proposed :					
2½% on £196000 Pref. Shares	£4900				
Less Tax	245				
		4655 -			
6½% on £195000 Ordy. Shares		12675 -			
6½% on £100000 Dfed. Shares		6500 -			
,, Prelim. Exs. extinguished.....		4000 -			
,, Reserve Fund		3000 -			
,, *Balance carried forward*		260 5			
		£46070 5			£46070 5

BALANCE SHEET of NICOTINE, Limited,

Made up to the 31st December, 1911.

Capital and Liabilities.	£	s.	**Property and Assets.**	£	£
Nominal or Registered Capital, viz.—			**Immovable Property.**		
20000 5% Preference Shares of £10 ea.	200000	-	Freehold Tobacco Factory	2000	
20000 7% Ordinary Shares of £10 ea.	200000	-	*Less* Depreciation 2½%	50	
10000 Deferred Shares of £10 each ...	100000	-			1950 -
500.00	£500000	-	Leasehold Tobacco Factory	6000	
			Less Depreciation 2½%	150	
					5850
Subscribed and **paid-up Capital**, viz.—			**Movable Property.**		
20000 5% Preference Shares £200000 -			Machinery, Fixtures, &c.	70000	
Deduct 400 Shares forfeited 4000 -			*Less* Depreciation 5% ...	3500	
£196000 -					66500 -
Deduct Calls in arrear..... 1500 -			Stock-in-trade		150000 -
	194500	-	**Debts.**		
20000 7% Ordinary Shares £200000 -			Sundry Debtors 106400		
Deduct 500 Shares forfeited 5000 -			*Less* Reserve for Doubtful Debts and Discount 1½%	1596	
£195000 -					104804 -
Deduct Calls in arrear ..... 750 -			Interest on Calls in Arrear		75 -
	194250	-	**Cash** at Bank.....		263322 10
10000 Defd. Shares, fully paid	100000	-	Goodwill A/c.....122000		
Mortgage Debenture Stock, 4%	50000	-	*Less* Depreciation 10% 12200		
					109800 -
Reserves :—			Preliminary Expenses A/c. 5000		
Forfeited Shares A/c.	6750	-	*Less* Debenture Premium A/c. transferred 1000		
Liabilities :—					4000 -
Sundry Creditors.....	126250	-			
Income Tax	3461	5			
Profit & Loss A/c., Bal.... 46070 5					
Less Interim Dividends paid on :—					
Preference Shares ... £4655					
Ordinary Shares 6825					
Deferred Shares 3500					
14980 -					
	31090	5			
	£706301	10			£706301 10

NICOTINE, LIMITED. Application and Allotments Book.

PREFERENCE SHARES (*Posted to Preference Share Ledger.*)

No. of Application	Name.	Address.	Description.	No. of Shares applied for.	Amount of Deposit.	Cash Book folio.	No. of Shares allotted.	Distinctive Numbers of Shares allotted. From	To	Amount due on Allotment.	Cash Received.	Cash Book folio.	Cash Returned	Cash Book folio.	Calls paid in advance.	Balance payable on Shares.	Share Ledger folio.
					£					£	£		£		£	£	
1	Heaps, John	8 Bath Street, Batley	Merchant.....	1000	2500	1	1000	1	1000	5000	5000					2500	
2	Parker, George ...	Vernon Road, Leeds.....	Cashier..... ...	400	1000	1	400	1001	1400	2000	2000					1000	
3	Eaves, David.....	1 Mount Street, Hull	Schoolmaster	1000	2500	1	1000	1401	2400	5000	5000					2500	
4	Whitehead, John	76 Portman Road, Bolton..	Surveyor	2000	5000	1	2000	2401	4400	10000	10000					5000	
5	Swift, Joe	Moor Lane, Sheffield	Engineer	400	1000	1	400	4401	4800	2000	2000					1000	
6	McAdam, George	Peel Place, Edinburgh.....	Solicitor	1200	3000	1	1200	4801	6000	6000	6000					3000	
7	Harris, Fred	Broadway, Bexley Heath .	Book-keeper ..	5000	12500	1	5000	6001	11000	25000	25000					12500	
8	Bowler, Albert ...	5 Queen's Row, Portsm'th	Shipowner ...	2500	6250	1	2500	11001	13500	12500	12500					6250	
9	Spencer, Charles..	9 Beever Road, Halifax ...	Accountant ..	1500	3750	1	1500	13501	15000	7500	7500					3750	
10	Wilson, Edwin ...	23 George Street, Halifax.	Banker	5000	12500	1	5000	15001	17000	2500	2500					5000	
11	Bailey, Ernest ...	7 Manor Drive, Bradford ..	Iron Founder	6000	15000	1	3000	7001	20000	7500	7500					7500	

ORDINARY SHARES (*Posted to Ordinary Share Ledger*).

										£	£		£		£	£	
1	Heaps, John	8 Bath Street, Batley	Merchant.....	500	1250	1	500	1	500	2500	2500					1250	
2	Parker, George ...	Vernon Road, Leeds.....	Cashier	200	500	1	200	501	700	1000	1000					500	
3	Eaves, David.....	1 Mount Street, Hull	Schoolmaster .	2000	5000	1	2000	701	2700	10000	10000					5000	
4	Whitehead, John	76 Portman Road, Bolton..	Surveyor	2200	6250	1	2200	2701	4900	10250	10250					5500	
5	Swift, Joe	Moor Lane, Sheffield	Engineer	500	1250	1	500	4901	5400	2500	2500					1250	
6	McAdam, George	Peel Place, Edinburgh.....	Solicitor	600	1500	1	600	5401	6000	3000	3000					1500	
7	Harris, Fred	Broadway, Bexley Heath .	Book-keeper ..	4000	10000	1	5000	6001	6500	...	...		5000		1250	...	
8	Bowler, Albert ...	5 Queen's Row, Portsm'th	Shipowner ...	3000	7500	1	3000	6501	9500	15000	15000					7500	
9	Spencer, Charles .	9 Beever Road, Halifax ...	Accountant ...	1000	2500	1	1000	9501	10500	5000	5000					2500	
10	Wilson, Edwin ...	23 George Street, Halifax .	Banker	10000	25000	1	5000	10501	15500	12500	12500					12500	
11	Bailey, Ernest ...	7 Manor Drive, Bradford ..	Iron Founder.	5000	12500	1	4500	15501	20000	21250	21250					11250	

(DEBENTURES).

					£					£	£						
1	Beckett & Co. ...	Park Row, Leeds	Bankers		2500	1				48500	48500						

309. INCREASE of **CAPITAL.** A company limited by shares may, if authorised by its Articles, increase its nominal capital by the issue of new shares of such amount as it thinks expedient. Where a Company has power in its Articles to increase its capital without a special resolution it is unnecessary to do more than pass an ordinary resolution; but in any case **notice** must be given to the Registrar of Companies within **15 days** after the date of passing the ordinary resolution or confirming the special resolution. If the original Articles do not authorise such an increase they should first be altered by a special resolution, and then the increase can be made in accordance with the terms of the special resolution, but the operation is not invalid if the two acts are done by a single special resolution. For some years when fresh capital was required for a company whose affairs were not in a flourishing condition, it was common to **issue new shares** at a **discount**: that is to say, a share credited as fully paid was issued in consideration of the payment of a less sum than the nominal amount of the share. It has, however, been decided by the House of Lords that this cannot be done, and a shareholder taking shares upon those terms is, in the event of a winding up, liable to pay the balance unpaid, notwithstanding any contract made with the company. Shares may, however, be offered at a **premium,** which should be carried to the credit of the Reserve Fund, although there is no absolute rule that this should be done. It is not uncommon, when an additional issue of shares is made, to secure the success of the issue by getting it **underwritten**, but this is illegal. The **records** to be made in the books on the increase of capital are similar to those made on the issue of capital in a new company, as shown in the Model Exercise.

310. BONUS SHARES. It is sometimes the good fortune of a Company to experience a succession of prosperous years, the profits enabling the directors not only to pay a continuously increasing dividend, but also to build up a large General Reserve. While it may be advisable to retain a portion of the amount represented

by the Reserve as Working Capital, there is no reason why the shareholders should not apply a part of the **Reserve** to the **issue** of free or **Bonus Shares,** and thus reap the special advantage afforded by the capitalisation of the Reserve. The market price of the shares of such a Company will generally be at a premium, and it will be for the shareholders to decide whether the Bonus Shares to be **issued** shall be **at par** or at a **premium.** If **at par,** the **Journal entries** would be as shown below, where the Capital was £500,000 in £1 Shares, and it was decided to distribute a bonus of 25% out of the Reserve by the issue of one fully paid Share for each four Shares held.

General Reserve A/c.....Dr.	£125000	
To Bonus A/c.		£125000
Being Bonus of 25% payable out of the General Reserve A/c. in fully paid Shares as per Resolution of Shareholders dated 18th December, 1911.		
Bonus A/c. .....Dr.	£125000	
To Ordinary Share Capital A/c. ..		£125000
Being issue of 125000 Shares of £1 each fully paid in payment of Bonus at the rate of one Share for every four held.		

311. In view of the fact, however, that such an **increase** of **Capital** would necessitate the payment of a **dividend** on £625000, instead of £500000, it would not generally be considered sound finance to issue such free Shares at par, for unless the net profits continued to increase, it might prove disadvantageous to the Company, as well as subsequent shareholders. It would, therefore, be more prudent to **issue** the **Shares** at a **premium,** thereby retaining in the business, as working capital, the amount of the bonus represented by the premium, upon which no dividends would, of course, be required to be paid. For **example**, where a Company with a Capital of £50000, in fully paid £1 Shares, the market price of which was £3, decide to distribute a Bonus out of the Reserve at the rate of 25%, payable in fully paid-up Shares, at a premium of £1, the record in the **Journal** would be as follows:—

General Reserve A/c.....Dr.	£125000	
To Bonus A/c.		£125000
Being Bonus at the rate of 25% on 500000 Shares of £1 each, as per Resolution dated 18th December, 1911.		
Bonus A/c. .....Dr.	£125000	
To Ordinary Share Capital A/c. ..		£62500
„ Share Premium A/c.		62500
Being payment of Bonus on the issue of 125000 Shares of £1 each, fully paid, at a premium of £1 per Share, as per Resolution dated 18th December, 1911		

312. When the Share **Capital** of a successful Company is **not fully paid** it would be a wise policy for the directors to make a **Call** and to recommend the shareholders to **apply** the **Bonus** in **discharge** of the **Call.** Presuming that a Company, with a Nominal Capital of £50000, in £1 Shares, 17/6 paid, declare a bonus of 12½% on the Nominal Capital, with the object of making the Shares fully paid, the record in the **Journal** would be as follows :—

Final Call A/c.....Dr.	£6250	
To Ordinary Share Capital A/c. ..		£6250
Being a Call of 2/6 per share on £50000 shares, as per Resolution of the Directors, dated 18th December, 1911.		
General Reserve A/c. ..... Dr.	£6250	
To Bonus A/c.		£6250
Being Bonus of 2/6 per share on 50000 shares payable out of the Reserve A/c. as per Resolution, dated 18th December, 1911.		
Bonus A/c. ..... Dr.	£6250	
To Final Call A/c.		£6250
Being application of Bonus of 2/6 per share on 50000 shares to payment of Call, as per Resolution, dated 18th December, 1911.		

313. REDUCTION of CAPITAL. A company limited by shares may, by special resolution, reduce its capital specified in the Memorandum, if authorised to do so by its regulations as originally framed, or as altered by special resolution ; but the resolution authorising the

reduction does not come into effect until the reduction is **confirmed** by the **Court** and **registered.** After the date of the passing of the resolution the company must add the words *and Reduced* to its name until such date as the Court may fix. The addition of these words to the name of the company acts as a warning to the public of its financial position. But where the reduction does not involve the diminution of any liability in respect of unpaid capital, or the payment to the shareholders of any paid-up capital, the Court may dispense with the words *and Reduced*. The capital may be reduced in various ways:—(**1**) By reducing the shareholders' liability by writing off uncalled capital; (**2**) By cancelling lost capital; (**3**) By paying back capital in excess of the wants of the company; (**4**) By cancelling shares which have never been issued; (**5**) By returning accumulated profits in reduction of paid capital. In the two latter cases the sanction of the Court is not required. The principal occasion for the reduction of capital arises in connection with the **writing off** of ascertained **losses,** *i.e.*, a debit of the Profit & Loss A/c. For **example,** suppose there is a debit of £50000 in the Profit & Loss A/c., brought about by losses over a series of years, it may be considered necessary to reduce the capital, in which case the Share Capital A/c. would be debited and the Profit & Loss A/c. credited thus:—

Share Capital A/c. Dr.
To Profit & Loss A/c.

(Being in reduction of the Capital of the Company as per Resolution of the shareholders passed at a general meeting held on the 26th June, 1911, and confirmed by the Court under Order dated 26th July, 1911, sanctioning a reduction of £50000 on the share capital).

A similar entry would be required where it was decided to cancel or reduce any particular property appearing among the assets, such as Patents or Good-will, when the Share Capital would be *debited* and the particular Property a/c. *credited*. The **alteration** in the **Share Ledger** may be carried out by marking each page with coloured ink or using a rubber stamp briefly stating the resolution.

314. RECONSTRUCTION is a term usually applied to a scheme for the purpose of reorganising a Joint Stock Company, by the **winding up** of the *old* company and the **creation** of a *new* Company, specially incorporated for the purpose. The **objects** of a reconstruction are usually, (**1**) to raise fresh capital by issuing partly paid shares in the new company, in exchange for fully paid shares in the old company, and calling up the balance on the new shares as and when required; (**2**) for amalgamating two or more companies; (**3**) for taking new powers in the Memorandum or changing the domicile of the company; (**4**) for re-arranging the capital of the old company, and the rights of the shareholders between themselves; (**5**) for effecting compromises with creditors by inducing them to take shares or debentures in settlement of their claims; (**6**) for giving to members two or more shares for every share already held by them in the case of prosperous companies.

315. If any **shareholder** who has not voted for the special resolution at either of the meetings expresses his **dissent** from the resolution *in writing*, not later than *seven days* after the date of holding the confirmatory meeting, he may require the liquidator either not to carry out the scheme, or to **purchase his interest** at a price which, if not settled by agreement, must be determined by arbitration. The greatest difficulty, therefore, in a reconstruction is often that of finding money to pay out dissentient shareholders, where the shares of the new company are not marketable. There is, however, no way of avoiding the obligation to pay out such dissentient members, as they **cannot** be **compelled** to **take shares** in the **new company.** Sometimes, with a view to raise more money, an arrangement is made for holders of fully paid shares in the old company to accept shares which are not fully paid in the new, with the result of generally increasing the number of dissentient shareholders. A shareholder who has not dissented cannot, however, be compelled to **take shares having a liability**, and if he refuse the new shares he loses all interest in the company, and is not liable for any calls

on the new shares. In a case where there is a liability on the new shares, a **time** should be **fixed** within which shareholders must **elect** whether they will take the new shares, and any not taken up will then be at the disposal of the old company or its liquidator; or the scheme may provide that the shares not taken up shall be at the disposal of the new company, or that the consideration shall be reduced by the amount of the shares unapplied for after the expiration of the period named; but the new company and the liquidator have no power to issue the partly paid shares to members of the old company who have failed to apply in time. Reasonable time must be given, and it must extend to a date beyond the registration of the new company. The shares when not fully paid will be allotted direct to the shareholders, and not to the liquidator. The liquidator usually sends a **notice** to the members of the old company, enclosing a **form** of **application** to be sent to the new company. This application, if sent in, is only an offer to take the shares, and may be withdrawn before it is accepted by the new company. It is not an acceptance of the offer by the new company so as to make the applicant a member forthwith. Where the new company considers that it is an advantage to have as many as possible of the partly paid shares issued, the liquidator should be empowered to sell shares not applied for, and, as far as possible, should sell them. The proceeds of such a sale will belong to the members of the old company who have neither accepted shares in the new company nor dissented, for the other members have already received their proportion of the purchase consideration. The liquidator will nominate the purchasers of the shares to receive an allotment of the number they have bought credited as partly paid.

316. In **closing** the **books** of the **old** or **vendor company** the **entries** have much in common with the corresponding entries in the case of a partnership that is completely wound up; the principal variation being in the return to the shareholders of fully or partly paid-up shares in the new company. So far as the new or

purchasing company is concerned the procedure in no way differs from that of any ordinary company acquiring a going concern.

Example 1. The Coventry Motor Co., Ltd., go into voluntary liquidation on 31st December, 1910, the Assets being: Property, £30000; Machinery & Plant, £2400; Liabilities: Sundry Creditors, £5000, and Fully Paid-up Capital £40000. The Assets are sold on 1st March, 1911, to a company newly incorporated for the purpose for £20000, payable in shares of the new company of £1 each, credited with 16/8 per share paid and £6000 in cash, which amount discharges the Sundry Creditors and Liquidation Expenses. Close the books of the old company and show the opening entries of the new company, as follows:—

Balance Sheet of **The Coventry Motor Co., Ltd.,**
on 31st December, 1910.

Liabilities.		Assets.	
Share Capital	£40000	Property.....	£30000
Sundry Creditors ..	5000	Machinery & Plant	2400
		P. & L. A/c., DEFICIENCY	12600
	£45000		£45000

Journal, Closing Entries.

Realisation A/c. .....Dr.		£32400	
To Property A/c.			£30000
„ Machinery & Plant A/c.....			2400
New Company .....Dr.		26000	
To Realisation A/c.			26000
Realisation A/c. .....Dr.		1000	
To Liquidation Expenses A/c.			1000
Profit & Loss A/c. .....Dr.		7400	
To Realisation A/c.			7400
Cash A/c. .....Dr.		6000	
Shares in New Company (24000 of £1 each, 16/8 per Share paid) .....Dr.		20000	
To New Company.....			26000
Sundry Creditors .....Dr.		5000	
Liquidation Expenses A/c.	„	1000	
To Cash			6000
Capital A/c. .....Dr.		20000	
To Profit & Loss A/c.			20000
Capital A/c. .....Dr.		20000	
To Shares in New Company			20000
Being a distribution at the rate of 8 Shares in New Company (16/8 per share paid up) for each 5 Shares held in The Coventry Motor Co., Ltd.			

Journal, Opening Entries of the **New Company.**

Property A/c.	Dr.	£22600	
Machinery & Plant A/c.	„	2400	
Preliminary Expenses A/c.	„	1000	
To Liquidator of Coventry Motor Co., Ltd.....			£26000
Liquidator of Coventry Motor Co., Ltd.	Dr.	26000	
To Cash A/c.			6000
„ Share Capital A/c. (24000 Shares of £1 each, issued with 16/8 per Share paid up, as per contract dated 1st March, 1911, adopted 15th March, 1911, filed 17th March, 1911			20000

Example 2. The Imperial Aeroplane Co., Ltd., has a Capital of 10000 £1 Shares fully paid, the amount due to Creditors being £5300, and the Dr. Balances being as follows:—Cash, £30; Formation Expenses, £360; Sundry Debtors, £900; Stock, £2000; Patents, £9600; P. & L. A/c., £2410. The Company goes into liquidation, and a newly incorporated company—The New Imperial Aeroplane Co., Ltd.—with a Capital of £20000, takes over the Liabilities and Assets (at book value, except Patent Rights) of the old Company. The Creditors are discharged by the new company, as follows:—(**1**) Preferential, paid in full, £100; (**2**) Unsecured, paid by cash composition of 10/- in £, £2680; (**3**) Unsecured, paid by issue 7½% Debentures, fully paid and a bonus of 10%, £2520; (**4**) 10000 Shares of £1 each, 10/- paid up, to be issued to the shareholders in the old company, payable 5/- on Application and 5/- on Allotment; (**5**) Liquidation Expenses—£50—to be paid by the new company as part of the purchase money.

Close the books of the old Company. Show the opening entries in the books of the new company and prepare a Balance Sheet; taking for granted that all the shares and debentures have been allotted and all cash in respect thereof duly received.

Journal of The Imperial Aeroplane Co., Ltd.

Realisation A/c.	Dr.	£15300	
To Sundry Debit Balances.....			£15300
(Being debit balances transferred).			
The New Imperial Aeroplane Co. Ltd.	Dr.	252	
To Sundry Creditors.....			252
(Being Bonus of 10% on £2520, payable in 7½% Debentures fully paid, as per agreement.)			
The New Imperial Aeroplane Co. Ltd.	Dr.	9010	
To Realisation A/c.			9010

Being Purchase consideration payable under scheme, as follows :—		
10000 Shares of £1 each 10/- paid up, to be issued to Shareholders £5000		
£2520 7½% Debentures fully paid, to be issued to Creditors in part payment £2520		
Cash to Creditors in part payment of Unsecured Creditors £1440		
Cash for Liquidation Expenses 50		
£9010		
Realisation A/c. .....Dr.	50	
To Cash A/c.		50
(Being payment of Liquidation Expenses)		
Shares A/c.—10000 Shares of £1 each, 10/- paid up .....Dr.	5000	
Debentures A/c.—£2772 7½% Debentures .....Dr.	2772	
Cash A/c. .....Dr.	1490	
To the New Imperial Aeroplane Co. Ltd.		9262
(Being assets handed over by The New Imperial Aeroplane Co., Ltd., to Liquidator in settlement of Purchase consideration).		
Sundry Creditors ..... Dr.	5552	
To Debenture A/c.		2772
,, Cash A/c.		1440
,, Realisation A/c.		1340
(Being discharge of amounts due to Sundry Creditors as per agreement and transfer of balance to Realisation A/c.)		
Sundry Shareholders A/c. .....Dr.	5000	
To Realisation A/c.		5000
(Being loss on Realisation.)		
Share Capital A/c. .....Dr.	10000	
To Sundry Shareholders' A/c.		10000
(Being Share Capital transferred.)		
Sundry Shareholders' A/c. .....Dr.	5000	
To Shares A/c.		5000
(Being issue of 1000 Shares of £1 each, 10/- paid up, in The New Imperial Aeroplane Co., Ltd., in exchange for Shares in The Imperial Aeroplane Co., Ltd.)		

Ledger of The Imperial Aeroplane Co., Ltd.

Dr.	Realisation A/c.		Cr.
	£		£
To Sundries	15300	By New Imperial Aeroplane Co., Ltd.	9010
„ Cash (Expenses)	50	„ Sundry Creditors....	1340
		„ Shareholders' A/c. (Loss)	5000
	£15350		£15350

Dr.	The New Imperial Aeroplane Co., Ltd.		Cr.
	£		£
To Sundry Creditors (10% Bonus)	252	By Sundries	9262
„ Realisation A/c.	9010		
	£9262		£9262

Dr.	Sundry Creditors.		Cr.
	£		£
To Debentures	2772	By Balance.....	5300
„ Cash	1440	„ New Imperial Aeroplane Co., Ltd.	252
„ Realisation A/c.	1340		
	£5552		£5552

Dr.	Sundry Shareholders.		Cr.
	£		£
To Realisation A/c. (Loss)	5000	By Share Capital A/c. ..	10000
„ Shares A/c.	5000		
	£10000		£10000

Dr.	Cash A/c.		Cr.
	£		£
To New Imperial Aeroplane Co., Ltd.	1490	By Sundry Creditors ..	1440
		„ Liquidation Expenses	50
	£1490		£1490

Journal of The New Imperial Aeroplane Co., Ltd.

Patents A/c.	Dr.	£6332	
Sundry Debtors.....	„	900	
Stock A/c.	„	2000	
Cash A/c.	„	30	
To Vendor Company			£9262
(Being assets taken over in accordance with scheme of Re-construction.)			
Vendor Company	Dr.	9262	
To Share Capital A/c. 50000 shares of £1 each, 10/- paid up			5000
„ Debentures 7½%			2772
„ Cash A/c.			1490
(Being Shares and Debentures issued and Cash paid in settlement of Purchase consideration.)			
Application & Allotment A/c.	Dr.	5000	
To Share Capital A/c.			5000
(Being 5/- per share payable on application and 5/- on allotment of 10000 Shares issued.)			

The New Imperial Aeroplane Co., Ltd.

Dr. Cash A/c. Cr.

	£		£
To Vendor Company	30	By Vendor Company ..	1490
„ Application and Allotment.....	5000	„ *Balance c/f*	3540
	£5030		£5030

BALANCE SHEET.

Capital & Liabilities.		Assets.	£
NOMINAL CAPITAL:—		Patents	6332
20000 Shares of £1 each....	£20000	Sundry Debtors....	900
		Stock	2000
ISSUED & PAID-UP CAPITAL:—		Cash	3540
10000 Shares of £1 each fully paid	£10000		
7½% Debentures	2772		
	£12772		£12772

317. An **ABSORPTION** in the financial world is the buying up of the business of one limited company by another, the **object** generally being to effect economy by way of the reduction of establishment charges and management expenses. The most important practical **difference** between a *reconstruction* and an *absorption* is that in the former the shareholders generally suffer a loss, while in the latter there is usually a profit; arising from, (1) the price paid for goodwill, when that item is in excess of the amount at which it stands in the books of the vendor company; (2) the fact that reserves provided by the vendor company need no longer be regarded as liabilities; (3) the fact that the real value of the shares received in payment of the purchase price is in excess of their nominal value.

318. The **Journal entries** required to be made in connection with the transfer are almost identical with those necessitated when **closing** the books of a partnership, in the case of dissolution, and may be summarised as follows:—(**a**) credit all accounts representing assets sold and debit Realisation A/c.; (**b**) debit accounts relating to liabilities, and credit Realisation A/c.; (**c**) debit absorbing or purchasing company's account and credit Realisation A/c. with the total amount of the purchase price; (**d**) credit absorbing or purchasing company's account, and debit the respective accounts of assets for the items forming the purchase price, such as cash, shares, &c.; (**e**) should any expenses be paid by the vendor company, credit cash and debit Realisation A/c.; (**f**) the difference of the Realisation A/c. represents profit or loss, and should be carried to the Sundry Shareholders' A/c.; (**g**) the credit balances of the P. & L. A/c., Reserve A/c., &c., should be carried to the Sundry Shareholders' A/c., also the balance of the Share Capital A/c.; (**h**) debit Sundry Shareholders' A/c. with the assets comprising the purchase price, when the distribution takes place, and credit the respective accounts of cash, shares in absorbing or purchasing company, &c.

319. The **Journal entries** necessary when **opening** the books of the absorbing or purchasing company are:—(**a**) debit the various assets acquired and credit the vendor company, also any liabilities taken over; (**b**) debit the vendor company and credit Share Capital A/c., Cash, &c., representing the payment of the purchase price.

Example. The following are the Balance Sheets, on 31st December, 1910, of the Alpha and Omega Companies, Ltd., respectively:—

Alpha Co., Ltd.

Capital & Liabilities.		Assets.	
Capital, 6000 Shares, £5 each, fully paid	£30000	Machinery & Plant, cost	£22240
Sundry Creditors	10270	Sundry Debtors	6249
		Stock	9423
		Cash	129
		P. & L. A/c., Balance ..	2229
	£40270		£40270

Omega Co., Ltd.

Capital & Liabilities.		Assets.	
Capital, 100000 Shares, £1 each, fully paid ..	£100000	Freehold Premises	£22500
Sundry Creditors.....	18129	Machinery & Plant	32659
Reserve	7000	Sundry Debtors.....	24682
P. & L. A/c., Balance..	16440	Stock	38640
		Cash in Bank and in hand	23088
	£141569		£141569

It is agreed that the businesses shall be combined by the Omega Co., Ltd., purchasing the Alpha Co., Ltd., as on 31st December, 1910 on the following basis:— (**1**) A dividend of 15% to the Shareholders of the Omega Co., Ltd., to be declared prior to the absorption; (**2**) The Omega Co., Ltd., to take over the Assets of the Alpha Co., Ltd., the consideration being:— (*a*) the payment of the liabilities of the Alpha Co., Ltd., (*b*) the payment of the costs of absorption, (*c*) the issue to the Shareholders of the Alpha Co., Ltd., of seven fully-paid shares of £1 each in the Omega Co., Ltd., for every two fully-paid shares in the Alpha Co., Ltd. The costs of the absorption amounted to £1206. The floating assets of the

Alpha Co., Ltd., were worth the values stated on the B/S. Draft the Journal entries recording the purchase in the books of the Omega Co., Ltd., and set out the B/S. of the Omega Co., Ltd., after the absorption, as follows :—

	Journal of **the Omega Co., Ltd.**	**Dr.**	**Cr.**
1910		£	£
Dec. 31	Profit & Loss A/c.....Dr.	15000	
	To Dividend A/c.		15000
	(Being dividend at 15% on 100000 Shares of £1 each.)		
	Machinery & Plant.....Dr.	22240	
	Sundry Debtors ..... ,,	6249	
	Stock ..... ,,	9423	
	Cash ..... ,,	129	
	To Liquidator of Alpha Co., Ltd.....		38041
	(For Sundry Assets taken over as per agreement.)		
	Liquidator of Alpha Co., Ltd. .....Dr.	11476	
	To Sundry Creditors		10270
	,, Cost of Absorption		1206
	(For Sundry Liabilities taken over.)		
	Liquidator of Alpha Co., Ltd. .....Dr.	21000	
	To Share Capital A/c.		21000
	(Being issue of 7 fully paid £1 Shares in Omega Co., Ltd., to every holder of 2 fully paid £5 Shares in Alpha Co., Ltd.)		
	Liquidator of Alpha Co., Ltd.....Dr.	5565	
	To Machinery & Plant.....		5565
	(For surplus transferred to provide for Depreciation).		

Balance Sheet of **Omega Co., Ltd.,**
on 31st December, 1910.

Capital & Liabilities.			**Assets.**	
ISSUED & PAID-UP CAPITAL :—			Freehold Premises	£22500
121000 Shares of £1 each		£121000	Machinery & Plant	49344
SUNDRY CREDITORS :—			Stock	48068
On Open Accounts	£28399		Sundry Debtors	30931
For Absorption Expenses	1206		Cash at Bank and in hand	23217
,, Dividend on 100000 Shares declared before absorption ...	15000	44605		
Reserve		7000		
Profit & Loss A/c.		1440		
		£174045		£174045

320. The term **AMALGAMATION** is used in relation to Limited Companies, to express the **combination** into **one undertaking** of two or more independent concerns. An Amalgamation differs from an Absorption in that instead of one existing company absorbing another, a *newly incorporated company* takes over the business of two or more companies. It is usual for the new company to take over the liabilities of the uniting companies, and for fully paid shares in the new company to be issued to the shareholders in the uniting companies in proportion to their holdings and the relative value of their shares. Great care must be exercised in the **valuation** of the **Assets** of both companies, as, after deducting the total amount owing to Sundry Creditors from the total of the Assets in each case, the *difference* forms the basis for calculating the proportional number of shares to be allotted to the shareholders of the old companies by the new company, as shown below.

	Bruce & Co., Ltd.	**Sykes & Co., Ltd.**
Share Capital in £1 Shares.....	£50000	£160000
Total Assets	£62000	£186000
Less Sundry Creditors	2000	6000
	£60000	£180000

The 240000 Shares of £1 each in the new company should be allotted to the shareholders of (**1**) Bruce & Co., Ltd., 6 new shares for every 5 old, £60000; (**2**) Sykes & Co., Ltd., 9 new shares for every 8 old, £180000. Below are the Balance Sheets of the two companies prior to amalgamation, followed by the combined B/S. of the amalgamated concern.

Balance Sheet of Bruce & Co., Ltd.

Capital & Liabilities.		**Assets.**	
Share Capital :—50000 Shares of £1 each, fully paid	£50000	Leasehold Premises	£20000
Sundry Creditors	2000	Machinery & Plant	9000
Reserve Fund A/c.....	8000	Patents	6000
Profit & Loss A/c., Balance ..	2000	Stock	14000
		Sundry Debtors ..	12000
		Cash	1000
	£62000		£62000

Balance Sheet of Sykes & Co., Ltd.

Capital & Liabilities.		Assets.	
Share Capital :—160000 Shares of £1 each, fully paid	£160000	Leasehold Premises	£60000
Sundry Creditors	6000	Machinery & Plant	24000
Reserve Fund A/c.	15000	Patents	20000
Profit & Loss A/c., Balance .	5000	Stock	30000
		Sundry Debtors ..	45000
		Cash	7000
	£186000		£186000

Balance Sheet of Bruce, Sykes & Co., Ltd.

Capital & Liabilities.		Assets.	
Share Capital :—240000 Shares of £1 each, fully paid	£240000	Leasehold Premises	£80000
Sundry Creditors	8000	Machinery & Plant.	33000
		Patents	26000
		Stock	44000
		Sundry Debtors ..	57000
		Cash	8000
	£248000		£248000

Company Exercise 1.

A Company was floated on 1st Jan. to take over the business of Black & Tan, the cap. to consist of 20000 6% Pref. Shs. of £1 each, payable 5/- per share on application, 5/- per share on allotment, 10/- per share due on call 3 months after. 30000 Ord. Shs. of £1 each, of which 20000 were issued to the vendors in part payment of the purchase price of the business, the balance to be offered to the public for £1 2 6 each payable 7/6 per share on application, 5/- on allotment, and 10/- three months after. There were also 100 4% Debentures of £100 each issued, 50 of which were issued to the vendors in part payment of the purchase price of the business, payable £20 on application, £80 on allotment. The whole of the Pref. Shs. and the Debentures were applied for and allotted 10th Jan., and 11000 Ord. Shs. were applied for. Of the 1000 over applied for the application money for 500 was returned and the application money for the other 500 was carried to the Allotment A/c. The B/S. of Black & Tan on the 31st December, was as follows :—

Sundry Creditors	£8000 -	Cash in hand	£41 10
Capital A/cs.	33661 10	Cash in Bank	2620 -
		Sundry Debtors	9500 -
		Stock	12500 -
		Plant and Machinery.....	7000 -
		Premises	10000 -

The new Company were to take over all the assets except cash in hand and at the Bank, and to take over all the liability to Creditors. The purchase price was agreed at £40000; £20000 in Ordinary Shares @ £1 each; £5000 in Debentures and £15000 in cash. The whole of the moneys due on the Shares and Debentures was paid with the exception of the amount due on the Call A/c. on 500 Ordinary Shares, and these Shares were forfeited by resolution of the Directors. Make the necessary entries in the books of Black & Tan, Ltd., to record the above transactions and prepare a B/S. *Key below.*

Key to Ex. 1. Journal of Black & Tan, Limited.

		Dr.	Cr.
Jan.	Pref. Share Application A/c. .....Dr.	£5000	
	To Preference Share Cap. A/c.		£5000 -
	Being amount due on application on 20000 shares @ 5/- per share.		
	Ordinary Share Application A/c. ..Dr.	3750	
	To Premium on Ordy. Share A/c. ..		1250 -
	,, Ordinary Share Capital A/c.		2500 -
	Being amount due on application on 10000 shares @ 7/6 per share.		
	Ordinary Share Application A/c. ..Dr.	375	
	To Allotment A/c.		187 10
	,, Sundry Applicants		187 10
	Being amount over applied for on 1000 shares at 7/6 each.		
	Debenture Application A/c. .....Dr.	1000	
	To Debenture A/c.		1000 -
	Being amount due on application on 50 Debentures at £20 each.		
Jan. 10.	Pref. Share Allotment A/c.....Dr.	5000	
	To Preference Share Capital A/c. ..		5000 -
	Ordinary Share Allotment A/c. ....Dr.	2500	
	To Ordinary Share Capital A/c.		2500 -
	Debenture Allotment A/c. .....Dr.	4000	
	To Debenture A/c.		4000 -
	Being amount due on allotment.		
	Sundry Assets—Debtors .....Dr.	9500	
	Stock A/c ..... ,,	12500	
	Plant & Machy. A/c. ,,	7000	
	Premises A/c. .... ,,	10000	
	Goodwill A/c. .... ,,	9000	
	To Black & Tan		48000 -
	Black & Tan .....Dr.	8000	
	To Sundry Creditors		8000 -
	Black & Tan .....Dr.	25000	
	To Ordinary Share Capital A/c.		20000 -
	,, Debenture A/c.		5000 -

Apr. 10.	Preference Share Call A/c.....Dr.	£10000		
	To Preference Share Capital A/c. ..		10000	-
	Ordinary Share Call A/c. .....Dr.	5000		
	To Ordinary Share Capital A/c.		5000	-
	Being amount due on call.			
	Ordinary Share Capital A/c. .....Dr.	500		
	To Forfeited Share A/c.		500	-
	Being 500 shares forfeited by resolution passed by the Directors this day. Number to standing in the name of			
	Forfeited Share A/c. ....Dr.	250		
	To Ordinary Share Call A/c.		250	
	Being the amount due on shares forfeited as above.			

Dr. **Cash Book of Black & Tan, Ltd.** **Cr.**

Jan. To Pref. Share Appn. A/c.	£5000 -	Jan. By Sundry Applicants for Shares (Being amount returned on Shares over applied for) - - -	£187 10
,, Ordy. Share Appn. A/c.	4125 -		
,, Debenture Appn. A/c.	1000 -		
,, Pref. Share Allot. A/c.	5000 -		
,, Ordy. Share Allot. A/c.	2312 10	,, Black & Tan in part payment of purchase of business - -	15000 -
,, Debenture Allot. A/c. -	4000 -		
,, Pref. Share Call A/c. -	10000 -		
,, Ordy. Share Call A/c. -	4750 -	,, Balance - - -	21000 -
	£36187 10		£36187 10

Balance Sheet of Black & Tan, Ltd.

Liabilities.			**Assets.**	
Nominal Registered Capital		£50000	Premises - - - -	£10000
Issued & Called up Capital:—			Plant & Machinery - -	7000
20000 Pref. Shares of £1 each - - -	£20000		Stock - - - -	12500
30000 Ordy. Shares of £1 each - -	£30000		Sundry Debtors - -	9500
Less 500 Shares forfeited -	500	29500 49500	Bank - - - -	21000
			Goodwill - - - -	9000
Debentures - - -		10000		
Premium on Shares A/c. -		1250		
Forfeited Shares A/c. -		250		
Sundry Creditors - -		8000		
		£69000		£69000

Company Exercise 2.

A Company was formed with £2000000 Share Capital, divided into 1000000 £1 Ordy. and £1000000 £1 5% Preferred Shares, and Debenture Stock of £1000000, to take over from 1st Jan., 1901, a number of businesses doing the same class of trade. The purchase price of the businesses was £2550000, composed as follows :—

Land and Buildings, £1050000; Stocks-in-Trade £500000; Book Debts (guaranteed by the Vendors), £200000; Trade Marks, Patent Rights and Goodwill, £800000, to be paid for as to £333000 in fully paid Ordy. Shares, £333000 in fully paid Pref. Shares, and £334000 in Debenture Stock of the Co., and as to the balance in Cash or in fully paid Ordy. Shares at the price of 22/6 per share, at the option of the Vendors. The Vendors availed themselves of this option to the extent of 100000 Shares, and the balance of Share Cap. and Debenture Stock was issued to the public at par as below. Make the entries in the Company's books.

	Per Share.		Debenture Stock
On Application	2/6	..	25%
On Allotment	5/-	..	25%
On 30th April, 1901	5/-	..	50%
On 31st May, 1901.....	7/6	..	

Company Exercise 3.

A Private Firm sells its business to a Company. Assets:—Land and Buildings, £20000; Plant and Machinery, &c., £35000; Stock, £10000; Book Debts, £5000. It owes £3000. The Co. takes over all the assets and liabilities and pays the Firm £90000 in 2000 Ordy. Shares of £5 each, fully paid, 2000 5% Pref. Shares of £5 each, fully paid, and 20000 4% Debenture Stock, at par, and the balance in cash. The Co.'s Capital is £100000, consisting of 8000 Ordy. Shares of £5 each, 6000 5% Pref. Shares of £5 each, and 30000 4% Debenture Stock, all of which are issued—the Pref. Shares at a premium of 10/- a Share payable on allotment, 10/- a Share in respect of both classes of Shares is to be paid on Application, £2 (in case of Pref. £2 10s.) on Allotment, £1 10s. on First Call, and £1 on Final Call, while the Debentures are to be paid for:—10% on Application; 40% on Allotment; 25% on First Call; 25% on Final Call. Make the Cash and Journal entries in the Company's books.

Company Exercise 4.

A Company is formed to acquire an Engineering Business. The purchase price is fixed under Agreement dated 1st June, 1903, at £50000, payable as to £20000 in Ordy. Shares of the Co. of £1 each credited as fully paid, as to £20000 in 5% Debentures, and as to £10000 in Cash. The Co. has paid the Preliminary Exs. amounting to £500, but under the Agreement these are payable by the Vendor. The Goodwill of the business is valued at £10000. Below is a list of the Assets and Liabilities (excluding Goodwill) taken over by the Co. Prepare the opening Journal Entries for the Company's Books.

Overdraft at Bank	£5000	Book Debts	£15000	
Sundry Loans	10000	*Less* Provision for Bad and Doubtful Debts...	2000	£13000
Trade Creditors	7000			
Bills Payable.....	2500	Stocks on hand		15000
		Machinery & Plant		30000
		Loose Tools & Rolling Stock ...		5500
		Bills Receivable in hand		1000

Company Exercise 5.

The Leeway Engineering Co., Ltd., formed with a Capital of 100000 £1 Shares, purchased the Goodwill and Assets of Forrester & Co., Builders and Contractors, for the sum of £90000. Forrester & Co.'s Assets were as follows:—Land, Buildings, and Plant, £30000; Loose Tools, £4000; Stock-in-Trade and Work-in-Progress, less received on A/c., £30000; Sundry Debtors, £10000; Cash in Bank, £750; Cash in hand, £250; Liabilities to Creditors, £10000. The consideration was to be discharged—£65000 in fully paid shares and £25000 in cash. The balance of the share cap. was issued to the public, payable—2/6 per share on application; 7/6 per share on allotment; 5/- per share in two months after allotment; Balance in four months after allotment. Prepare the Journal entries in the Company's books.

Company Exercise 6.

Prepare a B/S. of the Devonshire Iron Co., Ltd., at 31st Dec., 1904, from the following particulars:—Authorised Capital—£200000, divided into 100000 Ordy. Shares of £1 each and 100000 6% Cumulative Preference Shares of £1 each. 50000 Pref. Shares have been issued and are fully called up. 50000 Ordinary Shares have been issued and 15/- per share called up. The Authorised Debenture issue is £100000.

Preference Share Capital paid up	£49500
Calls on Preference Shares in arrear	500
Ordinary Share Capital paid up	37400
Calls on Ordinary Shares in arrear	100
Debentures issued—100 Bonds of £100 each, bearing interest at 4½% per annum	10000
Ordinary Shares—Calls paid up in advance	300
Cash at Bank £1650; Cash in hand	90
Trade Creditors £3860; Trade Debtors	19600
Stock in hand, 31st Decr., 1904	12350
Fixed Plant & Machy. £33200; Freehold Land & Bldgs.	27500
Loose Plant & Tools £9600; Reserve Fund	6000
Patterns & Drawings £5000; Investment on a/c. of Res. Fund	5500
Reserve for Bad & Doubtful Debts	980
Depreciation Fund for Plant & Machinery	1600
Dividend on Preference Shares for the year	2970
Interim Dividend on Ordinary Shares	1870
P. & L. A/c., Balance after paying Interim Dividend on Ordinary Shares and Div. on Preference Shares	4850

Answer:—*Total B/S.* £111910.

Company Exercise 7.

The following is the liabilities' side of the B/S. of a Company:—

Nominal Capital:— 5000 6% Preference Shares, £7 each	£35000
10000 Ordinary Shares, £2 10 - each	25000
	£60000

Capital issued ;—3000 Preference Shares, fully paid		£21000
2000 Ordinary Shares, fully paid	£5000	
4000 do. do. £1 10s. paid	6000	11000
Sundry Creditors		3400
Depreciation Fund		9500
Reserve Fund from accumulated profits		8000
Revenue A/c., balance of unappropriated Profits		9000
		£61900

Resolutions are passed :—(1) To convert the Pref. Shares into £1 Shares ; (2) To declare out of the Reserve Fund and the balance out of Revenue A/c. a bonus dividend of 100% on the amounts paid up on the Ordy. Shares, to be applied and paid as follows :—(*a*) On the fully paid Ordy. Shares—one-fourth in fully paid Pref. Shares, and three-fourths in additional fully paid Ordy. Shares. (*b*) On the partly paid Ordy. Shares—one-fourth in fully paid Pref. Shares, £4000 in paying up in full such partly paid shares, and the balance in fully paid Ordy. Shares. (3) To convert the Ordy. Shares into £1 Shares. Draft the Journal entries necessary to carry out these resolutions, and set out the liabilities' side of the B/S. after the resolutions are carried out.

Company Exercise 8.

Johnson & Co , as on 31st Dec., 1904, converted their business into a Limited Liability Company, and the following are the firm's and the Company's Balance Sheets. What Journal entries would be required to bring the firm's books to show the Company's figures as follows :—

Liabilities.	Firm. 31st Dec. 1904.	Company. 1st Jan, 1905.	Assets.	Firm. 31st Dec. 1904.	Company. 1st Jan. 1905.
Partner's Cap.	£120000		Cash	£2000	£2000
Reserve A/c.	15000	£3000	Stock	25000	20000
Shares fully paid		100000	Book Debts	15000	12000
Debentures		30000	Goodwill	41000	54000
			Property	50000	45000
			Expense of converting into Co.	2000	
	£135000	£133000		£135000	£133000

Company Exercise 9.

James Smith sells his business to a private Limited Company. His assets at the date of sale are Freehold Premises, £4500 ; Plant and Fixtures, £3250 ; Stock, £3700 ; Book Debts, £3650 ; Cash at Bank £940. His trade liabilities are £690. The Co. is registered with a cap. of £20000, divided into £1 shares. The purchase agreement provides that the vendor shall receive 16000 shares, credited as fully paid, as the consideration for the above assets and the goodwill, subject to the trade liabilities. The remainder of the nominal cap. is subscribed in equal shares by A., B., C., D., E., F., G., and H., who pay the whole amount into the Bank on the day of completion. Draft the opening Journal entries for the books of the new Company.

Company Exercise 10.

Brown, Jones, Robins & Sykes, carrying on business in partnership under the style of Brown, Jones & Co., Engineers and

Ironfounders, decide to convert their business into a Limited Company under the style of "The Brown & Jones Engineering Co., Ltd.," as on and from 1st January, 1906. The Assets of Brown, Jones & Co. were :—

Freehold Land & Buildings	£35000
Leasehold Land & Buildings	25000
Fixed Plant & Machinery	28000
Loose Plant, Tools & Patterns	15000
Stock-in-Trade £60000; Sundry Debtors £30000; Cash in hand	500
Patent Rights	10000

Their Liabilities were :—

Sundry Trade Creditors	12000
Midland Banking Co., Ltd.—Overdraft	20000
Thomas Mellor—Loan on First Mortgage of Freehold Property	15000
Executors of John Green, deceased—Loan on First Mortgage of Leasehold Property and Second Mortgage of Freehold Property	20000
Executors of Arthur Green (a former partner)	23000

The agreement for sale and purchase stipulates that the Limited Co. shall take over the assets at the values shown above, and that they shall discharge the liabilities and take over the Mortgage loans of the firm, and, in addition, allot to the partners £120000 of Ordy. shares fully paid up. The liability to the Executor of Arthur Green is to be discharged by the allotment of 4½% debentures for the amount due. The Capital of the Co. is £250000, divided into 150000 Ordy. Shares, and 100000 6% Pref. Shares of £1 each. The Pref. Shares are offered to the public for subscription, and applications are received for 15000 shares, 10/- per share being received on application. The Ordy. and Pref. Shares are allotted on 10th Jan., 1906, the balance of 10/- per share on the Pref. Shares being called up, all of which was received by 31st Jan., 1906. Make the entries in the Journal and Cash Book of the Company to record the above transactions.

Company Exercise 11.

The trading of Hall & Co., Ltd., for the year ended 31st Dec., 1906, resulted in a profit of £30000, after providing for all expenses of management, &c. The balance of profit brought forward from the previous year amounted to £2000 The paid-up Capital of the Co. amounted to £100000 in Ordy. Shares, in addition to which the Co. had issued Debentures amounting to £60000. The Plant and Machinery appeared in the B/S. at £150000. Interest for one year at the rate of 5%, less Income Tax at 1/-, had to be provided in respect of the Mortgage Debentures. The Directors recommended and the shareholders confirmed :—(1) The transfer of a sum amounting to 10% on the book value of the Plant and Machinery to a Depreciation A/c. (2) The payment of a dividend of 10% for the year on the Ordy. Share Capital, less Income Tax at 1/-. (3) The balance to be carried forward. Draft the entries necessary to give effect to the above.

Company Exercise 12.

Prepare a B/S. of Wilson & Co., Ltd., as at 31st December, 1906, from the following :—

Freehold Land & Buildings, £38000 ; Stocks on hand .. £40000
Capital—Nominal £100000.
Capital subscribed :—

40000 6% Cumulative Pref. Shares of £1 each, fully paid	40000
27000 Ordinary Shares of £5 each, £2 called	54000
Plant and Machinery, £16000 ; Mortgage Debentures.....	10000
Additions to Plant during the year	2000
Debts due to the Company.....	20000
Cash in hand, £50 ; Cash in Bank	1000
Creditors on Open A/cs. and Bills Payable (including £20 unclaimed dividends)	5000
Balance in Bank on Dividend A/c., £20 ; Reserve A/c.	500
Bills Receivable (in addition to which Bills amounting to £500 were under discount)	1100
Insurance, &c., paid in advance £100 ; Formation Expenses	100
First Call A/c. due from sundry shareholders	50
Profit & Loss A/c. :—Balance from last year £200	
Balance this year..... 8720	8920

Company Exercise 13.

A Limited Company is registered on 1st May, 1906. The Nominal Capital consists of :—10000 5% Pref. Shares of £5 each ; 20000 Ordy. Shares of £5 each. In addition there are offered for subscription :—500 4½% 1st Mortgage Debentures of £100 each. The Pref. and Ordy. Shares are payable as follows :—£1 on application ; £1 on allotment. The Debentures are payable as follows :—£5 on application ; £95 three months after allotment. The following applications are received, and on 15th May, 1906, the Directors proceed to allot :—9650 Preference Shares ; 18500 Ordinary Shares 500 Debentures. All moneys due on allotment are paid. Draft the Journal and other entries necessary to record the transactions in the books of the Company.

Company Exercise 14.

The Share Capital of the Leakage Co., Ltd., is as follows :—1000000 Ordy. Shares of £1 each ; 500000 Pref. Shares of £1 each, the whole of the Capital being subscribed and paid up. Having sustained heavy losses for several years in succession, the sanction of the Court is obtained to write down the £1 Ordinary Shares to 8/-, and the Preference Shares to 12/- per share. Show the entries in the books of the Company (in the form of ledger accounts) to record such reduction of Capital.

Company Exercise 15.

A Company has an issued Capital of £30000 in shares of £1 each fully paid, with the exception of 600 shares held by John Jones, 10/- paid. The latter are forfeited for non-payment of calls, and subsequently re-issued to William Brown, fully paid, at the price of 15/- per share. Show the entries in the Company's Journal and Ledger recording these transactions.

RESERVES.

321. In all trading concerns **fluctuations** are likely to occur, and it is therefore prudent to **reserve part of the profits** of prosperous years to meet the difficulties of unsuccessful years. In ordinary businesses *not* subject to limited liability, the profits are usually divided among the partners, whose capital a/cs. are credited with the whole of the profits, *no* Reserve A/c. being opened. In the case of Limited Liability Companies, however, a portion of the profit is often "reserved" before the distribution of the dividends among the shareholders, the unappropriated profit being carried forward to the next year's a/c. as shown in the Appropriation A/c. given on page 371.

322. Table A, being the first schedule to the Companies (Consolidation) Act, 1908, provides that, before recommending any dividend, the directors may set aside out of the profits such sums as they think proper as a reserve, which shall, at the discretion of the directors, be applicable for meeting contingencies, or for equalising dividends, or for any other purpose to which the profits may be properly applied, and, pending such application, may either be employed in the business or be invested.

323. By some authorities a **Reserve,** variously expressed as *Reserve A/c., Reserve Fund, Surplus, Margin, Rest,* is considered to be the amount by which the assets of a concern *exceed* the total of its paid-up capital and liabilities, and would be better known merely as a "Surplus," or, as in the case of the Bank of England, a "Rest"; its principal objects being to meet *any* contingencies, to provide against loss of capital, to equalise dividends, to increase working capital, or, as an extra inducement to those with whom the company trades, to give credit. By other authorities the term "Reserve" is stated to be a sum set apart to cover a *special,* as distinguished from a general liability. It differs from the Reserve Fund in that additions to a Reserve may be made from revenue, even in years when there are no profits. Such Reserves are closely allied to Depreciation

A/cs. in being charges *against* profits ; and so far as they are intended to cover expected *losses*, would, in the case of a private trader, be deducted from revenue before any estimate of the profits was made. But in the case of Companies, Directors and Managers (desirous of presenting favourable reports to shareholders) generally like to show profits as large as possible, and then purport to set aside part of the so-called profits to Reserves. A Company, then, which has never reached the point of having divisible profits may still have so-called reserves ; sums set aside from revenue, and specially ear-marked to meet special liabilities, and until these amounts are set free by the extinguishment of the liabilities which they were created to cover, they ought not to be applied to any other purpose. Such Reserves, unless of a very general character, should always be shown in the B/S. *not* as liabilities, but as *deductions from the particular assets* in respect of which they were created. There would then be no possible confusion between them and the Reserve Fund A/c., which may properly be shown among the liabilities as a fictitious creditor. A real **Reserve** is composed of and *created* by amounts *set aside out of divisible profits*, after all due provision has been made for depreciation and other known, expected, or contingent losses and liabilities ; the object of such Reserve being either to enable dividends to be equalised in varying years, or to strengthen the general financial position of the company. In the case of banks an additional security is afforded to the depositors. A Reserve is, therefore, a portion of the credit balance of the P. & L. A/c. which has been ear-marked as being "reserved." Such reserved profits are sometimes spoken of as *capitalised profits*, because they result in increasing the working capital. If at any subsequent time losses be sustained which cause the P. & L. A/c. to show a debit balance, any credit balance that there may be upon the Reserve Fund A/c. must be at once applied towards extinguishing this debit balance. There can be no real Reserve until any debit balance on the P. & L. A/c., or such assets as Preliminary

Expenses, have been wiped out. Where the Articles give power to form a Reserve for a special purpose, but no power to divert the same to another purpose, the Articles must be altered before such special Reserve can be legally dealt with in any other way. The *difference* between a Reserve Fund and a Reserve Fund A/c. must be carefully noted, the **Fund** referring to the actual **asset,** a **Dr. Balance,** while the **Account** merely relates to the *record of the amount* appropriated, which is a **Cr. Balance.** The £3000 shown in the Appropriation A/c. on page 371 would first be transferred to the Reserve Fund A/c., and should the amount be invested *outside* the business, the Investment would be recorded in a separate a/c.; the amount of the Account appearing in the B/S. as a liability and the amount of the Investment as an asset.

324. The interest on a Reserve Fund Investment may either be credited to the P. & L. A/c. and distributed, or credited to the Reserve Fund A/c. and thus allowed to accumulate.

Dr.	**Reserve Fund A/c.**	**Cr.**
	1911—Dec. 31. By P. & L. A/c.	£3000

Dr.	**Reserve Fund Investment A/c.**	**Cr.**
1911—Dec. 31.	To Consols....	£3000

Balance Sheet, on 31st December, 1911.

Reserve Fund A/c.....	£3000.
Reserve Fund Investment: Consols.....	£3000

325. Reserves created for the purpose of **replacing assets** or providing against diminishing values are charges *against* profits and are best dealt with as Sinking Funds or as a Depreciation Fund A/c., as mentioned in pars. 277, 329. While some authorities contend that a Reserve should be invested outside the business in "gilt-edged" securities, others maintain that such an investment is immaterial, so long as all the assets of the business are not stated at a figure in excess of their *real market value*; and the amount of the Reserve is the genuine excess of Assets over Liabilities and capital. It is quite possible for a firm to show an immense

Reserve in their B/S., and still be insolvent by reason of the fictitious value given to the assets; while a Reserve is no guarantee against the embarrassment caused by overtrading. The particular nature and circumstances of each business must determine whether it is desirable to invest the fund outside the business. In a financial undertaking, or a bank, it is manifestly necessary that the Reserve should exist in the form of liquid securities that can be realised to meet a run on the part of depositors or loan creditors; also in the case of commercial concerns, where assets have to be replaced at intervals; but in most business undertakings there is rarely any need for outside securities, the best investments being those revenue-producing properties connected with their own particular trade, as well as the advantage of being able to secure discount for cash purchases in preference to taking credit either on open a/cs. or bills payable. It would be foolishness indeed to invest a Fund at $3\frac{1}{2}\%$, and at the same time borrow on Mortgage at $4\frac{1}{2}\%$; the shareholders suffering a reduction of dividend; while, in some cases, it might necessitate the issue of more capital, and so widen the area upon which dividends would have to be paid

326. A **Secret, Hidden,** or **Inner Reserve,** differs from those previously described in that it is an *undisclosed surplus*, not appearing in the B/S., and generally exists without the knowledge of the shareholders. Such a Reserve is one existing by reason of the under-valuing of assets or the excessive statement of liabilities. The assets which are specially liable to be understated by reason of *appreciation* in value are, land, buildings kept in first-class repair, investments in stocks and shares, patents, copyright, goodwill; the latter sometimes being omitted altogether. Excessive reserves for doubtful debts and discount, &c., as well as excessive depreciations of assets may also be instanced. The most notable example, however, is that of the B/S. of the Bank of England, which does not disclose the value of the Bank Premises, worth several million pounds.

327. A **RECEIPTS & PAYMENTS ACCOUNT** is merely a **classified summary** of the cash actually *received* and *paid*, as recorded in the Cash Book, for a stated period, opening and closing with the usual cash balance. These cash transactions may, of course, relate to both **capital** and **revenue,** and may affect both the *preceding* and *succeeding* period to that actually covered by the account, so that beyond showing the nature and magnitude of the cash transactions for the period, and verifying the cash balance as shown in the Balance Sheet, this account answers no useful purpose. Such a statement of receipts and payments must not be confounded with one of income and expenditure, for an *Income & Expenditure A/c.* often includes items that have *neither* been received nor paid. If *all* the income should have been received and all the expenditure paid in the

Dr. **CASH A/c.** **Cr.**

Receipts.	£	s.	d.	Payments.	£	s.	d.
To Cash in hand, 1st Jan., 1911	2	2	6	By Purchases & Carriage :—			
,, Sales :—				Grocery	7434	3	10
Grocery	9624	3	6	Drapery	4007	17	2
Drapery	5898	11	1	Boot & Shoe	5060	19	7
Boot & Shoe	6123	5	8	Coal	3384	14	9
Coal	5144	9	8	,, Expenses :—			
,, Rent	56	2	8	Wages	1862	3	4
,, Share Contributions	677	8	6	Fees	15	10	-
,, Penny Bank Deposits	304	2	10	Deputations	8	2	7
,, Loan Deposits	6905	-	-	Repairs	128	3	6
,, Club Subscriptions	44	3	3	Rents, Rates & Taxes	86	3	2
,, Share Investments A/c.	481	8	1	Insurance	12	2	7
,, Bank Withdrawals	2819	10	4	Coal, Gas & Water	22	3	6
				Printing & Stationery	67	2	9
				Travelling	46	8	7
				Advertising	28	2	7
				Horse Expenses	62	1	9
				Law Costs	13	4	2
				Sundries	14	2	6
				,, Dividend & Interest	4317	2	8
				,, Share Withdrawals	394	11	7
				,, Penny Bank Withdrawals	297	12	6
				,, Loan Withdrawals	224	3	8
				,, Club Withdrawals	68	8	6
				,, Land, Buildings & Fixtures	42	3	-
				,, Bank Deposits	6286	16	5
				,, Cash in hand, 30th June, 1911	20	6	5
	£38080	8	1		£38080	8	1

form of cash, during a given period, then the *Receipts & Payments A/c.* would, of course, truly represent and be **identical** with the *Income & Expenditure A/c.* It is customary for Co-operative and Building Societies to publish a Cash A/c. as part of their Annual Report.

328. INCOME & EXPENDITURE A/c. is the special name given to the *Profit & Loss A/c.* or *Revenue A/c.* of **non-trading concerns,** such as clubs; professional, trade, literary and scientific societies; political, social and religious associations. It is a classified summary of profit and loss transactions, showing on the **credit** side the entire **income** earned during a given period (whether actually received or not) and upon the **debit** side the **expenses** incurred in earning such income, and otherwise chargeable to the period (whether actually paid or not), the **difference** representing the net profit or loss for the period covered. When the *only asset* is *Cash*, and the account commences with the *Balance brought forward* from the previous period, the *Opening Balance* must be deducted from the *Closing Balance* in order to ascertain the profit or loss for the period covered. For example, the first item below on the income side—£402 9 10, deducted from the final balance of cash, shows the profit for 1909 to be £97 7 11. When the **assets** consist of items other than *Cash*, it is advisable to prepare a **Balance Sheet,** to which the profit or loss should be carried, on the periodical closing of the books.

THE CORPORATION OF ACCOUNTANTS, LTD.

Dr. **Income & Expenditure A/c.** for the year ended 31st December, 1909. **Cr.**

Income	£	s.	d.	Expenditure.	£	s.	d.
To Balance from 1908	402	9	10	By Additions to Library	6	2	5
,, Annual Subscriptions	525	10	-	,, Printing, Stationery, &c.	83	12	4
,, Entrance Fees	131	15	6	,, Stamps, Bank Charges, &c.	26	11	4
,, Examination Fees	90	16	6	,, Travelling Expenses	49	6	6
,, Interest on Deposit Receipts	4	6	10	,, Honorarium to Secretary	150	-	-
,, Balance of Parliamentary Fund	60	14	1	,, Honorarium to Auditor ..	4	4	-
				,, Cost of Examinations ...	131	13	1
				,, District Societies	211	5	4
				,, Circulating Magazine ...	50	-	-
				,, BALANCE of Cash	499	17	9
	£1215	12	9		£1215	12	9

THE BRISTOL SOCIETY OF CHARTERED ACCOUNTANTS.

Dr. Income & Expenditure A/c. for the year ended 31st December, 1909. Cr.

	£ s. d.	£ s. d.		£ s. d.	£ s. d.
To Expenses of Library —			By Subscriptions :—		
Rent	40 - -		38 Members in Practice	39 18 -	
Accountants' Magazines	4 3 1		3 Members not in Practice	1 11 6	41 9 6
Printing & Stationery	7 11 1				
Incidentals	3 1 3	54 15 5	,, Institute of Chartered Accountants :—		
			Grant for 1909		50 - -
,, Expenses of Annual Lecture		4 12 6	,, Bristol Chartered Accountants' Students Society :—		
,, Depreciation :—			For use of Room		5 - -
Books, 5% on £254 7 8	12 14 5				
Furniture, &c., 10% on £198 15 5	10 17 6	23 11 11			
,, CAPITAL A/c. :—					
BALANCE transferred		13 9 8			
		£96 9 6			£96 9 6

Balance Sheet on 31st December, 1909.

Liabilities.	£ s. d.	£ s. d.	Assets.	£ s. d.	£ s. d.
Sundry Creditors :—			Literary Books :—		
Tribe, Clarke & Co.	47 1 8		Per last Statement	122 19 10	
Curtis, Jenkins & Co.	4 12 9		Additions this year	15 3 -	
J. J. Thomas	10 19 8			138 2 10	
M. V. Brazier	1 19 6	64 18 7	*Less* Depreciation this year	12 14 5	125 8 5
CAPITAL A/c. :—			Library Furniture & Fittings :—		
Per last Statement	268 15 3		Per last Statement	89 15 7	
Income & Expenditure A/c.	13 9 8	282 4 11	Additions this year	2 16 1	
				92 11 8	
			Less Depreciation this year	10 17 6	81 14 2
			Cash at Bank		139 15 11
		£346 18 6			£346 18 6

THE ROADS IMPROVEMENT ASSOCIATION (Incorporated).

Dr. Income & Expenditure A/c. for the year ended 31st December, 1908. Cr.

	£ s. d.	£ s. d.
To BALANCE from 1907 :—		
General	511 7 8	
Subscriptions paid in advance	1 - -	
London-Newhaven Road Fund	12 1 -	
Earlswood Common Hill Fund	5 15 -	
Life Members' Subscriptions	29 8 -	
Five-yearly Subscriptions A/c.	5 17 7	
	565 9 3	
Petty Cash	5 2 3	570 11 6
Deduct: Subscriptions received in 1907 for the year 1908; included in this year's Receipts	1 - -	
Proportion of Five-yearly Subscription A/c. chargeable to this year's Revenue	1 9 5	2 9 5
General Income.		568 2 1
To Members' Subscriptions, viz. :—		
279 Members' Subscriptions @ 5/-	69 15 -	
Subscriptions paid in advance	5 13 -	
Five-yearly Subscriptions	26 5 -	
Five-yearly Subscriptions A/c., proportion transferred	1 9 5	103 2 5
,, Receipts from Motor Clubs		204 2 6
,, Donations from Individuals		48 13 -
,, Sale of Pamphlets		9 15 6
,, Interest on Deposit		4 8 11
		£938 4 5

Expenditure.	£ s. d.	£ s. d.
By Rent, Lighting and Cleaning		87 7 11
,, Assistant Secretary's Salary		130 - -
,, International Road Congress (Printing, Stand, &c.)	38 2 4	
Less Donations Received	13 8 9	24 13 7
,, Tar Spreading Trials	75 3 -	
Less Donations Received	55 17 -	19 6 -
,, Printing & Stationery		39 10 4
,, Office Furniture		13 5 9
,, Stamps, Telegrams & Carriage		21 10 -
,, Subscription to Press Cutting Agency		4 4 -
,, Printing Forms for insertion in "C.T.C." Gazette		8 8 -
,, Hon. Secretary's Exs. & Disbursements		20 - -
,, Newspapers, Insurance & Sundries		1 5 7
,, Auditor's Fee		2 2 -
,, BALANCE carried forward —		
General	486 12 2	
Subscriptions paid in advance	5 13 -	
London-Newhaven Road Fund	12 1 -	
Earlswood Common Hill Fund	5 15	
Life Members' Subscriptions	29 8	
Five-yearly Subscriptions A/cs.—*Less* proportion charged to this year's Receipts	25 8 2	
	564 17 4	
Petty Cash	1 13 11	566 11 3
		£938 4 5

THE POLITICAL CLUB, LIMITED.

Dr. Income & Expenditure A/c. for the year ended 31st December, 1909. Cr.

	£	s.	d.
To Salaries & Wages	625	8	5
,, Rent, Rates & Taxes	261	-	4
,, Fuel & Lighting	206	1	-
,, Printing, Stationery & Postages	25	18	3
,, Newspapers & Magazines	28	18	11
,, Repairs & Renewals	329	8	10
,, Washing	113	-	10
,, General Household Expenses & Petty Cash	73	10	10
,, Debenture Interest	17	15	5
,, Provision for re-decoration	120	-	-
,, PROFIT transferred to Capital A/c.	208	19	10
	£2010	2	8

	£	s.	d.
By Annual Subscriptions	876	10	-
,, Profit from provisions (after maintenance of staff) Wines, Spirits, Beer, Stout, Mineral Waters, Cigars & Cigarettes	665	9	11
,, Profit from Cards	17	10	9
,, Profit from Billiards	417	2	2
,, Bank Interest	83	9	10
	£2010	2	8

Balance Sheet on 31st December, 1909.

Liabilities.	£	s.	d.
Debentures, bearing 3% Interest	600	-	-
Sundry Creditors	693	9	
Life Membership A/c.	94	10	-
Re-decoration Fund	120	-	-
CAPITAL A/c. :—			
Balance 1st January, 1909 £563 - -			
PROFIT for 1909, as per Income & Expenditure A/c. 208 19 10	771	19	10
	£2279	18	10

Assets.	£	s.	d.
Structural Alterations, Furniture, Fittings, Decorations, Glass, China, and Table and House Linen	875	3	1
Stocks on hand, &c.	153	12	-
Cash in Bank	1251	3	9
	£2279	18	10

THE INCORPORATED SOCIETY OF AUTHORS.

Dr. **Income & Expenditure A/c.** for the year ended 31st December, 1909. **Cr.**

	£ s. d.	£ s. d.
To Management Expenses :—		
Postages & Telegrams	94 11 4	
Housekeeper	18 6 1	
Typewriting	8 17 11	
Travelling Expenses	7 1 11	
Audit Fee & Accountants' Charges	14 6 6	
Telephone	6 10 -	
Miscellaneous Expenses	36 10 1	186 3 10
,, Rent & Electric Light		110 15 7
,, Salaries :—		
General	576 17 6	
Editor of *Author*	100 - -	676 17 6
,, Stationery & Printing		120 13 -
,, Expenses of Publications :—		
Composition, Printing, &c.	230 3 5	
Articles, &c., *Author*	26 18 -	
Slip Notices, &c	21 7 10	
Postages, &c.	99 6 8	
Prospectuses & Lists of Members	31 3 -	408 18 11
,, Printing Annual Report		21 18 -
,, Readers' Fees & Translations		43 19 -
,, Annual Dinner		56 6 8
,, Legal Expenses		1048 2 6
,, Depreciation A/c.		25 13 -
		£2699 8 -

	£ s. d.	£ s. d.
By Annual Subscriptions		1923 14 6
,, Proceeds of Publications :—		
Subscriptions & Donations to *Author*	81 4 -	
Sale of Sundry Publications	5 18 6	87 2 6
,, Advertisements in *Author*	45 5 6	
Less Commission paid and due	12 6 5	32 19 1
,, Dividends on Investments, viz. :—		
£268 L. & Y. Railway 3% Stock	7 12 6	
£240 Staffs. County 3% Stock	6 16 3	
£521 7 3 Consols 2½%	12 6 8	
£150 War Stock 2½%	4 2 4	
£274 1 3 West Australian Government 3½% Stock	9 1 6	
£117 17 9 Croydon 3½% Stock	3 18 2	
£397 15 4 London County 3% Stock	4 18 2	48 15 7
,, Readers' Fees & Translations		39 15 -
,, Scenario Registration Fees		2 7 6
,, Dinner (Annual)		55 12 6
,, LOSS transferred to Capital A/c.		509 1 4
		£2699 8 -

DOUBLE ACCOUNT SYSTEM. (See Par. 329).

The Twentieth Century Coal Company, Limited.

Dr. **Capital Account** for the year ended 31st December, 1912. **Cr.**

Nature of Expenditure.	Outlay to 31st Dec., 1911	Expended this year	Total.	Nature of Receipts.	Recd. to 31st Dec., 1911	Received during year.	Total.
To Preliminary and Parliamentary Expenses ..	5000		5000	By Ordinary Shares of £10 each	50000		50000
,, Offices, sheds, cottages, and workshops	15000		15000	,, Preference Shares of £10 each	50000		50000
,, Sinking shafts, heapstead, screens, etc.	41875	20000	61875	,, Premium on Shares	2500		2500
,, Siding accommodation, underground and surface engines, pulleys, locomotives, wagons, staiths, etc.	55000	7850	62850	,, Debentures	30000	30000	60000
,, *Balance*			17775				
	£116875	£27850	£162500		£132500	£30000	£162500

General Balance Sheet for the year ended 31st December, 1912.

Liabilities.	£	*Assets.*	£
CAPITAL A/c. :—Credit balance	17775	Materials and Stores	4000
Sundry Creditors :—		Minerals	7000
On Bills Payable £6350		Sundry Debtors £5100	
,, Open Accounts 3000		*Less* bad and doubtful debts 100	
	9350		5000
Reserve Fund	10000	Bills Receivable	3000
Depreciation Fund	5000	Cash at Bank	65625
REVENUE A/c. :—Credit Balance	55000	Investments	12500
	£97125		£97125

Dr. No. 9. REVENUE ACCOUNT of the North Eastern Railway Company. Cr.

Expenditure.		31st Dec., 1909 £ s. d.	31st Dec., 1908 £
To Maintenance of Way, Works and Stations	See Abstract A	641448 18 5	654384
,, Locomotive Power ...	do. B	867555 14 1	921796
,, Carriage & Waggon Repairs	do. C	482900 5 7	484802
,, Traffic Expenses	do. D	934583 13 3	924811
,, General Charges	do. E	108196 11 8	105355
,, Stationery Engines, Inclines, &c.	do. F	16780 3 7	16422
,, Electric Train Working	do. G	17222 9 -	16377
,, Law Charges		5009 8 1	4811
,, Parliamentary Exps..		2500 - -	1500
,, Compensation (Accidents & Losses):- Personal Injury	13435 10 3		
Damage to and Loss of Goods, &c.....	14008 13 -	27444 3 3	28531
,, Rates & Taxes		241219 19 -	242229
,, Government Duty....		6241 7 7	6065
		3351102 13 6	3407083
,, BALANCE carried to Net Revenue A/c., No. 10.....		2092632 1 8	1886043
	£	5443734 15 2	5293126

Receipts.	£ s. d.	31st Dec., 1909 £ s. d.	31st Dec., 1908 £
By Passenger Traffic :— Number of Passengers 1909 1908			
First Class 642441 659586	102364 14 2		105043
Third ,, 30730735 31011428	1245355 18 6		1272294
31373176 31671014	1347720 12 8		1377337
Periodical Tickets 43944 42721	136738 11 -		133075
Parcels, Horses, Carriages and Dogs	281325 12 6		272624
Mails	35206 9 10		35186
		1800991 6 -	1818222
By Merchandise Traffic ..	1657251 17 8		1578660
Less—Collection and Delivery	80894 17 9		78267
		1576356 19 11	1500393
			54378
,, Live Stock Traffic		54070 12 1	1717457
,, Mineral Traffic		1798547 10 9	
,, Miscellaneous Receipts, viz. :—			
Rents & Miscellaneous Receipts	91634 6 7		92839
Transfer Fees	684 8 6		619
Dock Revenue	110577 1 2		102647
Mileage & Demurrage of Waggons, &c.....	7872 10 2		6571
		213768 6 5	202676
	£	5443734 15 2	5293126

Dr. No. 10. NET REVENUE ACCOUNT of the North Eastern Railway Company. Cr.

To	£ s. d.	£	By	£ s. d.	£
Interest, Rents, &c. :—			Balance from last half-year	80400 1 1	77781
Interest on Mortgage and Debenture Loans	34 8 3	77	,, Amount from Revenue A/c., No. 9...	2092632 1 8	1886043
do. West Hartlepool Primary Charges	801 5 -	801	,, Dividends on Shares in other Companies :—		
do. Debenture Stocks	353595 1 5	353595	Sunderland Dock..... £2039 5 -		2039
Wayleave Rents	18517 8 3	15760	Cockermouth, Keswick, and Penrith Railway. 343 15 -	2383 - -	309
Rent of Great North of England, Clarence and Hartlepool Junction Railway	1394 13 9	1395			2348
General Interest Account	31053 11 3	32819			
	405396 7 11	404447			
,, Reserve for Special Expenditure—Dredging Plant	50000 - -				
,, General Reserve Fund	20000 - -	20000			
,, BALANCE available for Dividends ...	1700018 14 10	1541725			
	£2175415 2 9	£1966172		£2175415 2 9	£1966172

No. 11. Proposed Appropriation of Balance Available for Dividends.

	Capital. £ s. d.	Dividend. £ s. d.	£ s. d.	£
Balance available for Dividends—as per Net Revenue Account No. 10			1700018 14 10	1541725
Preferential Dividends, viz. :—				
On Great North of England Purchase Shares @ the rate of 4 per cent. per annum ...	46924 15 4	938 9 11		968
On North Eastern Railway Guaranteed Stock do. 4 ,, ,,	8466903 - -	169338 1 2		169388
On North Eastern Railway Preference Stock do. 4 ,, ,,	16071227 - -	321424 10 10		314925
			491701 1 11	485231
			1208317 12 11	1056494
Dividend on North Eastern Consols, including New Stock (at the rate of 7 per cent. per annum)	31766197 - -		1111816 17 10	942498
Balance carried to next half-year			£96500 15 1	£113996

NORTH EASTERN RAILWAY COMPANY.

Dr. No. 4. **Receipts and Expenditure on Capital Account.** **Cr.**

To Expenditure :—	Amount expended to 30th June, 1909 £ s. d.	Amount expended during half-year ended 31st Dec., 1909 £ s. d.	Total. £ s. d.
On Lines and Works open for Traffic	67100349 18 4	175214 11 6	67275564 9 10
New Bridge over the River Wear at Sunderland	200991 16 2		200991 16 2
	67301341 14 6	175214 11 6	67476556 6 -
On Lines, &c., in course of construction :—			
Selby to Goole Railway	151123 10 8	36758 18 2	187882 8 10
Hull Joint Dock (North Eastern Proportion)	222678 10 6	67500 - -	290178 10 6
Axholme Joint Railway (North Eastern Proportion)	184865 8 6	3016 9 11	187881 18 5
South Yorkshire Joint Railways (N. E. Proportion)	87500 - -	3000 - -	90500 - -
Working Stock	13767717 1 7	40000 - -	13807717 1 7
Subscriptions to other Companies :—			
Cockermouth, Keswick and Penrith Railway	27500 - -		27500 - -
Sunderland Dock Company	98450 - -		98450 - -
Hull South Bridge Company	5000 - -		5000 - -
Hull and Netherlands Steam Shipping Company, Limited	180000 - -		180000 - -
Wilsons & N. E. R. Shipping Co., Ltd.	82500 - -		82500 - -
£	82108676 5 9	325489 19 7	82434166 5 4

By Receipts :—	Amount received to 30th June, 1909 £ s. d.	Amount received during half-year ended 31st Dec., 1909	Total. £ s. d.
Shares and Stock, per Account No. 2	55332053 5 4		55332053 5 4
Debenture Stock, per Account No. 3	17973090 - -		17973090 - -
Loans, per Account No. 3	2000 - -		2000 - -
West Hartlepool A/c. "Primary Charges"	64100 - -		64100 - -
Premiums received on Stock and Shares	5967363 16 6		5967363 16 6
£	79338607 1 10		79338607 1 10
By BALANCE			3095559 3 6
£			82434166 5 4

No. 13. General Balance Sheet of The NORTH EASTERN RAILWAY COMPANY, for the half-year ended 31st December, 1909.

	£ s. d.
NET REVENUE A/c.—Balance at Credit thereof, as per Account No. 10	1700018 14 10
Unpaid Dividends and Interest	19079 12 11
Interest, payable or accruing and provided for	353609 5 1
Debts due to other Companies	28763 16 8
Amount due to Clearing House	1336 - -
Sundry Outstanding Accounts	1637392 7 10
Insurance Fund	428747 14 8
Deposits—Saving and Provident Funds	959399 11 6
Superannuation and Pension Funds	987064 13 1
	£6125411 16 7

	£ s. d.
CAPITAL A/c.—Balance of Debit thereof, as per Account No. 4	3095559 3 6
Cash at Bankers and in hand	359445 18 9
Cash invested in Consols and Government Securities	6361 17 6
General Stores—Stock of Materials on hand	1246708 3 11
Traffic Accounts due to the Company	869098 12 1
Hull Joint Dock, Hull and Barnsley Railway Advance Account	320372 7 1
Amount due by other Companies	6570 19 2
do. Post Office	18436 7 10
Sundry Outstanding Accounts	202858 11 9
	£6125411 16 7

No. 2. Statement of Stock and Share Capital Created, showing the Proportion Received.

Description.	Amount Created	Amount Received: Called up	Amount Received: In Advance	Nominal Addition on Conversion	Instalments in Arrear	Amount Uncalled, Less Calls in Advance.	Amount Unissued.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
North Eastern Consols	31766124 10 -	31766124 - -					10 -
New Stock, created 1st May, 1891	63 - -	63 - -					
New Stock, created 1st November, 1895	10 - -	10 - -					
	31766197 10 -	31766197 - -					10 -
G.N.E. Purchase Stock and Shares :— Dividend at 4 per cent., with option to holders to relinquish it, and take same dividend as Consols	47658 2 -	46924 15 4				733 6 8	
North Eastern Railway Guaranteed Stock :— Dividend at 4 per cent.	8466903 - -	7648829 10 -		818573 10 -			
North Eastern Railway Preference Stock :— Dividend at 4 per cent.	16321227 - -	15870602 - -		200625 - -			250000 - -
		55332053 5 4				733 6 8	250000 10 -
	£56601985 12 -	£55332053 5 4		1019198 10 -		£250733 16 8	

Revenue A/c. of the Hunslet Gas Co., Ltd.,

Dr. for the year ended 31st December, 1912. **Cr.**

	£	£		£	£
To Manufacture of Gas :—			*By Sale of Gas* :—		
Coals, including dues, carriage, unloading, and all Expenses of depositing same on Works	11000		Common Gas (99,000,000 cubic feet) at 3/4 per 1000 cubic feet	16500	
Purifying Materials, Oil, Water, and Sundries at Works	400		Cannel Gas (¼ cubic feet) at per 1000 cubic feet		
Salaries of Engineers, including Chief Engineer (if any), Superintendents, and Officers at Works	400		Public Lighting and Under Contracts	2000	
Wages and Gratuities at Works	1500			18500	
Repairs and Maintenance of Works and Plant (including Renewal of Retorts), Machines, Apparatus, Tools, Materials and Labour	3750		Rental of Meters	500	19000
	17050		,, *Residual Products* :—		
Less Old Materials Sold	150	16900	Coke, less Labour and Cartage	3200	
,, *Distribution of Gas* :—			Breeze	100	
Salaries of Surveyor, Chief Inspector, Inspectors, Assistant Inspectors, and Clerks in Light Office	300		Tar	1000	
Repairs, Maintenance, and Renewal of Mains and of Service Pipes, including Materials, Laying and Paving, and Labour	400		Ammoniacal Liquor	700	5000
Repairing, Renewing, and Refixing Meters	500	1200	,, *Gross Profit on Fittings*		800
,, *Public Lamps* :—			,, *Transfer Fees*		50
Lighting and Repairing		500			
,, *Rents, Rates, and Taxes* :—					
Rents	50				
Rates and Taxes	700	750			
,, *Management* :—					
Directors' Allowances	400				
Salaries of Secretary, Accountant and Clerks, Office Keepers, and Messengers	200				
Collectors' Commission or Salaries	400				
Stationery and Printing	100				
General Establishment Charges and Incidentals	200				
Auditor	50	1350			
,, *Law and Parliamentary Charges* :—					
Law	100				
Parliamentary (Oppositions)		100			
,, *Depreciation Fund* for Works on Leasehold Lands		50			
,, *Bad Debts*		50			
Total Expenditure		20900			
,, *BALANCE carried to Profit & Loss A/c.*		3950			
		£ 24850	Total Receipts		£ 24850

Receipts and Expenditure on Capital A/c. of The Hunslet Gas Co., Ltd.,

Dr. for the year ended 31st December, 1912. **Cr.**

	Amount expended to 31st Dec., 1911	Amount expended this year	Total		Amount received to 31st Dec., 1911	Amount received during year	Total
To EXPENDITURE to 31st December, 1912, viz:	£	£	£	By Ordinary Shares of £10 each	£	£ 10000	£ 10000
,, Lands acquired, including Law Charges	2000		2000	,, Ordinary Stock	10000		10000
,, New Buildings, Manufacturing Plant, Machines, Storage Works, and other Structures connected with manufacture	30000	10000	40000	,, Second Preference Stock	10000		10000
				,, First Preference Stock	15000		15000
				,, Debenture Stock	10000		10000
,, New Mains and Service Pipes (not being in place of old ones), including laying same, paving and other works connected with distribution	15000	5000	20000	,, Premiums on Issue of Shares or Stock	5000	10000	15000
,, New Meters (not in place of old ones), including fixing	1000	1000	2000				
,, Cost of promoting Special Act	2500		2500				
Total Expenditure £	50500	16000	66500	Total Receipt £	50000	20000	70000
,, BALANCE of Capital A/c.			3500				
		£	70000			£	70000

Profit & Loss A/c. (Net Revenue) of The Hunslet Gas Co., Ltd.,

Dr. for the year ended 31st December, 1912. **Cr.**

	£	£		£	£
To Amount carried to Reserve Fund A/c. (if any) from Profits of 1911			By Balance of Net Profit brought from last Account (31st December, 1911)	1500	
,, Interest on Temporary Loans, and Moneys received in anticipation of Calls		200	*Less* Dividends paid for the half-year ended 31st December, 1911	1150	350
,, Ditto. on Debenture Stock accrued to 31st December, 1912		350			
,, Half-year's Dividend on First Preference Stock to 30th June, 1912, at 5%	375		,, Balance brought from Revenue A/c., being Profit for year to December, 1912		3950
,, Ditto., Second Preference Stock to ditto. at 5½%	275		,, Interest on Moneys deposited		
,, Ditto., on Ordinary Stock at 10%	500	1150			
,, BALANCE of NET PROFIT to be carried to next Account, subject to half-year's Dividends to 31st December, 1912		2600			
	£	4300		£	4300

General Balance Sheet on 31st December, 1912.

Liabilities.	£	Assets.	£	£
CAPITAL A/c. :—Balance at credit thereof	3500	Cash at Bankers		2450
PROFIT & LOSS A/c. :—Balance at credit thereof	2600	Coals for Stock on hand, 31st December, 1912	700	
Reserved Fund :—Balance at credit thereof	2060	Coke & Breeze, 31st December, 1912	75	
Depreciation Fund (for works on leasehold lands):—Balance at credit thereof	500	Tar and other products	100	
Unpaid Dividends	-	Sundry Stores	1200	2075
Interest accrued and unpaid on Mortgages, Bonds, and Debenture Stock, and other Loans to 31st December, 1912	175	Gas and Meter Rental ; balance of this Account due to the Company on 31st December, 1912, less deposits and prepayments	4750	
Sundry Tradesmen and others, for amount due for Coals, Stores, &c., to 31st December, 1912	4000	Gas Fittings (ditto)	6 10	
Wages and Sundries :—Amount due to 31st December, 1912	500	Coke and other residuals, 31st December, 1912	700	6050
		Rates, &c., paid in advance		200
		Investments. viz. :—Consols		2560
	£ 13335		£	13335

Revenue Account of The Ripon Electric Lighting Co.. Ltd.,

for the year ended 31st December, 1911.

Dr.	£	£	Cr.	£	£
Generation:—			By Sale of Current to Private Consumers	9000	
To Fuel	1700		,, Public Lighting	1000	10000
,, Oil, Waste, Water & Engine Room Stores	300		,, Rental of Meters and other Apparatus on Consumers' Premises	195	
,, Salaries	150		,, Sale and Repairs of Lamps, Arc or Incandescent		
,, Wages	600		,, Sale and Repairs of other Apparatus	10	205
,, Repairs and Maintenance :—			,, Test Fees		2
Buildings	15				
Engines	35				
Dynamos	27				
Other Machinery	20				
Accumulators	4				
Station Lighting	6	2857			
Distribution :—					
To Salaries	70				
,, Wages	100				
,, Repairs and Maintenance :—					
Apparatus on Consumers' Premises	15				
Mains	35	220			
Public Lamps :—					
To Attending and Repairs		3			
Rents, Rates and Taxes :—					
To Rents Payable	50				
,, Rates and Taxes	220	270			
Management Expenses :—					
To Directors' Remuneration	100				
,, Salaries	500				
,, Stationery and Printing	40				
,, General Establishment Charges	225				
,, Law Charges	12				
,, Insurances	2				
,, Audit Fees	20	899			
To BALANCE, being Net Profit		5958			
		£10207		£	10207

Receipts and Expenditure on Capital A/c. of The Ripon Electric Lighting Co., Ltd., for the year ended 31st December, 1911.

Dr. **Cr.**

	Amount expended to 31st December, 1910.	Amount expended this year.	Total.
	£	£	£
To Expenditure to 31st December, 1910			
Expenditure since that date			
To Lands, including Law Charges incidental to acquisition	6000		6000
,, Buildings	7400	140	7540
,, Machinery	15000	100	15100
,, Accumulators at Generating and Distributing Stations	2000	65	2065
,, Mains, including cost of laying the Mains	10000	185	10185
,, Transformers, Motors, &c.	500	65	565
,, Meters, and Fees for Certifying under the Act	1500	20	1520
,, Electrical Instruments, &c.	150	10	160
,, Office Furniture, &c.	50		50
,, Tools	30	10	40
,, Cost of License, Provisional Order, &c.	5000		5000
,, Public Lamps		14	14
Total Expenditure	47630	609	48239
,, BALANCE of Capital A/c.			6761
		£	55000

	Amount Received to 31st December, 1910.	Amount received during year.	Total.
	£		£
By Ordinary Shares of £10	30000		30000
,, Do. do. £		Nil.	
,, Preference Shares of £10	25000		25000
,, Debenture Stock			
,, Mortgages and Bonds			
,, Amounts received in anticipation of Calls			
,, Sale of Patents or Patent Rights, &c.			
,, Other Receipts (to be specified)...			
£	55000	Nil.	55000

Net Revenue A/c. of The Ripon Electric Lighting Co., Ltd.,

for the year ended 31st December, 1911.

Dr.	£		£	£	Cr.
To Interest on Debentures accrued due to date		By Balance from last A/c.	6000		
,, Interest on Mortgages and Bonds accrued due to date		*Less* Dividend paid	3300		
,, Interest on Temporary Loans accrued due to date					
,, Dividend on Preference Stocks	1500	,, Amount carried forward		2700	
,, BALANCE applicable to Dividend on Ordinary Stock or Shares	7508	,, Balance brought from Revenue A/c.		5958	
		,, Interest on Money at Deposit		120	
		,, Dividends		230	
	£9008			£9008	

General Balance Sheet on 31st December, 1911.

Liabilities.	£	Assets.	£	£
CAPITAL A/c. :—		CAPITAL A/c. :—		
Amount received	55000	Amount expended for Works		48239
Sundry Tradesmen and others, due on Construction of Plant and Machinery, Fuel, Stores, &c., to 31st December, 1911	1514	Stores on hand at 31st December, 1911 :—		
Sundry Creditors on open accounts	510	Coal	95	
NET REVENUE A/c. :—Balance at Cr. thereof	9008	Oils, Waste, &c.	50	
Reserve Fund A/c. :—Balance at Cr. thereof		General	808	953
Depreciation Fund A/c. :—Balance at Cr. thereof	7000	Sundry Debtors for amounts paid on account of Contracts in course of completion		
		Preliminary Expenses		300
		Sundry Debtors for Current supplied to 31st December, 1911		1500
		Other Debtors		1097
		Investments		7000
		Cash at Bankers :—		
		Messrs. Lloyd's, Ltd.		7923
		Messrs.		
		Messrs. Lloyd's, Ltd. (amount on deposit)		6000
		Cash in hand		20
	£73032			£73032

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Revenue Account of the Valley Waterworks Co., Ltd.,

Dr. for the year ended 31st December, 1912. **Cr.**

	£	£		£
To Office and Engineering Expenses :—			By Water Rents	14667
Salaries	600		,, Rents (General)	50
Printing & Stationery	50		,, Transfer Fees	20
Incidentals	37	687		
,, Expenses—Working and Maintaining :—				
Pumping Stations		1705		
Reservoirs		500		
Filters		150		
,, Repairs and Renewals of Mains		220		
,, Repairs and Renewals (General)		105		
,, Directors' Remuneration		400		
,, Auditors' Fees		50		
,, Rates and Taxes		2500		
,, Interest on Debenture Stock		1002		
,, Dividend on Preference Shares		1194		
,, Interest on Loan		50		
,, NET PROFIT *c/d*		6174		
		£ 14737		£ 14737
To Interim Dividend paid November, 1912		3000	By Net Profit *b/d*	6174
,, BALANCE *c/f*		3174		
		£ 6174		£ 6174

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Receipts & Expenditure on Capital A/c. of The Valley Waterworks Co., Ltd., for the year ended 31st December, 1912.

Dr. **Cr.**

	Expenditure to 31st December, 1911	Expended during year	Total Expenditure to 31st December, 1912		Receipts to 31st December 1911	Received during year	Total Receipts to 31st December, 1912
	£	£	£		£	£	£
To Parliamentary Expenses	2000		2000	By Debenture Stock	20000		20000
,, Purchase of Land & Houses	3000		3000	,, Preference Shares	20000		20000
,, Construction of Works	91830	10500	102330	,, Ordinary Shares	50000	10000	60000
,, New Mains and Service Pipes (not being in place of old ones), including cost of laying same	10975	945	11920	,, Premiums on Shares	15000	5000	20000
,, New Meters (not being in place of old ones) including cost of fixing	1000	50	1050				
Total Expenditure £	108805	11495	120300	Total Receipts £	105000	15000	120000
				By BALANCE			300
		£	120300			£	120300

General Balance Sheet on 31st December, 1912.

Liabilities.	£	Assets.	£
BALANCE at Credit of Revenue A/c.	3174	BALANCE at Debit of Capital A/c.	300
Balance at Credit of Reserved Fund A/c.	258	Water Rates Accrued and Due	1242
Sundry Accounts due by the Company	1861	Sundry Accounts due to the Company	48
Interest Accrued and Unpaid on Debentures and Preference Shares—payable April, 1913	300	Stock on hand	340
Unpaid Dividends and Interest		Investments—Consols	250
		Cash at Bank	3413
	£5593		£5593

329. THE DOUBLE ACCOUNT SYSTEM is the method of accounting, generally adopted where the capital of a company is contributed for a *specific* purpose, partaking of a *permanent* character, such as the construction or acquisition of railways, tramways, canals, waterworks, or gas, electric light, telegraph, telephone, and colliery undertakings, &c. The amount actually paid for or in respect of the undertaking is shown as against the total capital raised, the *balance* only being brought into the *General Balance Sheet.* The Double A/c. System, which was first prescribed by the Regulation of Railways Act, 1868, does *not* vary from the Single A/c. System in its requirements as to the records of the current transactions, the *difference* of treatment being entirely concerned with the *compilation* of the **final accounts.** As most of the undertakings enumerated above are the subject either of statutory obligations or special Acts of Parliament, concerning the raising and expenditure of **capital,** it is necessary that the accounts should be so arranged as to show that the capital expenditure has been made in the manner and for the special purposes for which it was subscribed, and generally in accordance with the law.

330. The chief **differences** between the ordinary or *Single Account System* and the *Double Account System* are :— (*a*) In the preparation of the periodical statement of assets and liabilities. (*b*) In the treatment of depreciation and renewals. Instead of setting forth all the assets and liabilities in an ordinary B/S. as is usual in the Single Account System, two Statements are required in the Double Account System :--(**1**) The **Capital A/c.,** showing the *permanent*, *fixed* or *capital* assets and liabilities ; that is, on the **Cr.** side the total amount of the capital and loans (inclusive of all premiums received in connection with the issue thereof) raised to purchase or construct the works of the company ; and on the **Dr.** side particulars of the amount expended in so purchasing, constructing or extending the undertaking. The *difference* between the two sides of this Capital A/c. is transferred to part (**2**) being the **General Balance Sheet,** showing the *floating*, *circulating* or *revenue* assets and liabilities.

331. It should also be noted that in the Double Account System the **Capital Expenditure** is stated at its *original* or *cost price*, at which it must remain, no revaluation or adjustment of the assets shown in the Capital A/c. being permitted. Although no deduction may be made from the Capital A/c. in respect of the depreciation of capital assets, it is nevertheless usual to create a **Depreciation Fund A/c.**, by periodically appropriating a portion of the profits. This amount is, of course, debited against the Revenue, or P/L. A/c., to which is also charged all **Revenue expenditure** for wages (except those paid in making additions to the value of the capital assets), salaries, directors' fees, repairs, replacements, royalties, rents, taxes, interest, commission, printing, office expenses, bad debts and all current expenses. The sum of £144,725, being the value of the assets shown on the Dr. side of the Capital A/c. on page 406 would, in the *Single Account System*, be placed on the assets side of the B/S.; while the amount of subscribed Capital and Debentures would appear on the other side.

332. In almost every instance **Railway Companies** are incorporated by special Act of Parliament, and are subject to the provisions of the Companies Clauses Act, 1845; the Railway Companies Act, 1867; and the Regulation of Railways Act, 1868; which latter Act prescribes the statutory form of *half-yearly* accounts upon the Double A/c. System and requires the following:—(1) Statement of Capital authorised and created by the Company. (2) Statement of Stock and Share Capital created, showing the proportion received. (3) Capital raised by Loans and Debenture Stocks. (4) Receipts and Expenditure on Capital A/c. (5) Details of Capital Expenditure. (6) Return of Working Stock. (7) Estimate of further expenditure on Capital A/c. (8) Capital powers and other assets available to meet further expenditure, as per No. 7. (9) Revenue A/c. (10) Net Revenue A/c. (11) Proposed Appropriation of balance available for dividend. (12) Abstract of Expenses, &c. (13) General Balance Sheet. (14) Mileage Statement. (15) Statement of Train Mileage. See specimen Revenue, Net Revenue, Appropriation, Stock, and Capital A/cs., also B/S. on pages 407-10.

333. With the exception of the few **Tramway undertakings** governed by the Acts just cited, there is no prescribed form in which such accounts are to be presented; although they are usually prepared on the Double A/c. System; the permanent way, rolling stock, and horses constituting the items of capital expenditure.

334. Gas undertakings are generally either owned by Companies, incorporated by special Act of Parliament, or by local authorities. Incorporated Companies are subject to the Companies Clauses Consolidation Act, 1845, and to numerous other Acts, which provide for the formation of Insurance and Reserved Funds, and for the introduction of a "Sliding Scale," under which shareholders are entitled to larger maximum dividends *pro ratâ* as the price of gas is reduced below the "standard" price. The Gasworks Clauses Act, 1871, prescribes, in Schedule B, the form in which the *annual* accounts are to be presented, viz.:—(*a*) Statement of Share Capital; (*b*) Statement of Loan Capital; (*c*) Capital A/c.; (*d*) Revenue A/c.; (*e*) Profit & Loss A/c. (Net Revenue); (*f*) Reserved Fund A/c.; (*g*) Statement of Coals; (*h*) Statement of Residual Products; (*i*) General Balance Sheet.

335. The **Reserved Fund A/c.** is built up out of profits that are available for distribution among the proprietors, but which it is deemed expedient to hold in reserve for the purpose of equalising dividends. The Insurance Fund, on the other hand, is built up out of charges made *against* profits, and like an ordinary Reserved Fund, is created to make good any loss that *may* arise in the future through some unforeseen contingency. The Creation of an **Insurance Fund** is optional, and is limited to one-twentieth of the paid-up capital of the undertaking; "capital" for this purpose including loan capital. Both the Reserved and the Insurance Funds should be represented by investments *outside* the business, and the interest received on such investments is credited to the respective funds which these investments represent. If the works are situate on *leasehold* land, the Company should from time to time place a proportion of the profits aside for the purpose of

ultimately redeeming the forfeitable Capital expended thereon. This is done by a **Depreciation Fund A/c.** (really a Sinking Fund), which is built up by debiting Revenue and creating a Depreciation Fund A/c.

336. The only **expenditure** that can properly be **capitalised** is that necessarily involved in constructing and equipping the works, so as to make them capable of earning a revenue. After the works have been once so equipped all expenditure, whether in the nature of repairs or renewals, is chargeable against revenue; but when, as sometimes occurs, a portion of the old works is rebuilt or enlarged, a proportionate part of the cost of reconstruction may properly be capitalised. The accounts have to be taken annually on the 31st December, and a copy must be filed with the prescribed local authority before the following 31st March. See examples of Capital A/c, P. & L. A/c. and B/S. on pages 411-13.

337. The statutes relating to **Electric Lighting** accounts are the Electric Lighting Acts, 1882 and 1888, together with the Board of Trade rules thereon. The Board of Trade have issued a special form of accounts based upon that required by Gas Companies—the electricity being sold by the unit instead of by the thousand cubic feet. The following a/cs. are required:—(1) Statement of Share Capital; (2) Statement of Loan Capital; (3) Capital A/c.; (4) Revenue A/c.; (5) Net Revenue A/c.; (6) Reserve Fund A/c.; (7) Depreciation Fund A/c.; (8) General Balance Sheet; (9) Statement of Electricity Generated, Sold, &c. A copy of the annual accounts up to 31st December must be forwarded to the Board of Trade not later than the 31st March following. Note examples of Capital A/c., Net Revenue A/c. and B/S. on pages 414-16.

338. There is no general statutory form of accounts for **Water Undertakings,** but it is the general practice to assimilate the accounts of Water Companies, as near as may be, to the form laid down for Gas Companies.

Double A/c. System Exercise 1.

Convert the following Single-Account Balance Sheet into the form required for the Double-Account System, recording the fact that half of the B Shares were subscribed during the current year.

Balance Sheet of The Middleton Colliery Co., Ltd., on 30th June, 1909.

Liabilities.			Assets.		
Nominal or Registered Capital, viz.:			Lands		5000
10000 A. Shares of £10 each	100000		Sinking Shafts and Opening up Pits	100000	
10000 B. Shares of £10 each	100000	200000	*Add* Extensions	12500	112500
Subscribed and Paid-up Capital, viz.:			Plant and Machinery above Surface	25000	
10000 A. Shares of £10 each, £5 per share called up	50000		*Add* Extensions	4500	29500
10000 B. Shares of £10 each, fully paid	100000	150000	Wagons	10000	
			Add Extensions	2500	12500
Debentures at 5%		50000	Office Buildings		2500
Reserve Fund		20000	Workmen's Cottages	7500	
Depreciation Fund		12000	*Add* Extensions	500	8000
Sundry Creditors, viz.:			Stock on hand		10000
On Bills Payable	5000		Consols at Cost		20000
On Open Accounts	5000	10000	Sundry Debtors		30000
			Cash at Bank and in hand		32000
Profit & Loss A/c.		20000			
		£262000			£262000

Double A/c. System Exercise 2.

Convert the following Single-Account Balance Sheet into the form required for the Double-Account System, recording the fact that half of the Debentures were subscribed during the current year.

Balance Sheet of The Rapid Tramway Co., Ltd., on 30th June, 1910.

Liabilities.			Assets.		
Nominal or Registered Capital, viz.:			Permanent Way and Overhead Electrical Equipment	150500	
10000 Ordinary Shares of £10 each	100000		*Add* Extensions	20000	170500
10000 7½% Preference Shares of £10 each	100000	200000	Electric Power Station, Plant & Car Depôt	70000	
Subscribed and Paid-up Capital, viz.:			*Add* Extensions	5000	75000
10000 Ordinary Shares of £10 each, fully paid	100000		Rolling Stock, &c.	20000	
10000 7½% Preference Shares, fully paid	100000	200000	*Add* Extensions	600	20600
Debentures at 5%		100000	Office Buildings, &c.		1000
Reserve Fund		15000	Stores in hand, &c.		1020
Depreciation Fund		30000	L. & N. W. Railway Stock		15000
Sundry Creditors		340	Cash in Bank		104572
Interest due to Debenture holders	5000		Cash in hand		148
Interest due to Preference Shareholders	7500				
Interest due to Ordinary Shareholders	10000	22500			
Profit & Loss A/c.		20000			
		£387840			£387840

Double A/c. System Exercise 3.

Prepare A/cs. of the West Riding Railway Co. for the half-year to 31st Dec., 1909. Ordy. Share Capital £2500000; Depreciation A/c. £100000; Reserve Fund (invested in Consols) £250000: Goods Stations, value 30th June, £200000; Expenditure on new Goods Stations during half-year £27000; Mirfield to Bradley Extension, value 30th June, £190000; Expended during half-year £11000; Bridges, value 30th June, £85000, additions thereto £15000; Lines open for traffic £1100000; Sundry Debtors £90000; Cash in Bank £90000; Locomotives and Steamers £150000; Rolling Stock, General £350000; Stores in hand £20000; Office Buildings £30000; Wharves, value 30th June, £80000, Improvements thereto £20000; Due by Clearing House £3000; Stations, value 30th June, £130000, Extensions and Improvements thereto £20000. Cr. Balance of P. & L. A/c. £11000.

Answer.—*Bal. of Cap. A/c.* £92000; *Total B/S.* £453000.

Double A/c. System Exercise 4.

The following is the Trial Balance of The North Riding Railway Co., Ltd., after the completion of the Revenue A/c. for the half-year ended 31st December, 1911.

Dr. Balances—		**Cr. Balances—**	
Lines open for traffic	£1278000	3½% Preference Stock	£450000
Lines in course of construction	7500	Ordinary Stock	750000
Working Stock (Engines, Carriages, &c.)	195000	4% Debenture Stock.....	300000
Subscriptions to other Railways.....	75000	Premiums on Ordy. Stocks...	37500
Purchase of Grand Canal ...	7500	Debts due to other Companies	750
Cash at Bank	7500	Sundry Tradesmen, &c.	30000
General Stores, Stock on hand	10000	Fire Insurance Fund.....	2250
Traffic A/cs. due to Company	20000	Superannuation Fund	7500
Due from other Companies..	1500	Balance to Credit of Net Revenue A/c.	30000
Sundry Outstanding A/cs....	6000		

During the half-year there was an issue of £15000 3½% Preference Stock, at par, which was fully subscribed and paid up; also of £30000 Ordinary Stock fully subscribed and paid up at a premium of 5%. The expenditure on Lines open for Traffic was £37500, on Lines in course of Construction £1500, and on Working Stock £7500. Prepare Capital A/c. and Balance Sheet.

Answer :—*Balance of Cap. A/c.* £25500; *Totol B/S.* £70500.

Exercises numbered **149** and **156** further illustrate the Double A/c. System.

BANKRUPTCY.

339. A BANKRUPT, in popular language, is one who is unable to pay his debts in full, but *legally* one who has been *adjudged bankrupt* by the **Court,** and has handed over his estate and assets, to be realised for the payment of his liabilities. **Proceedings** may be commenced under **"The Bankruptcy Acts, 1883 & 1890,"** either by the debtor himself, or by a creditor or creditors whose debt or debts amount to at least £50, by presentation to the Court of a **Bankruptcy Petition,** which asks that a Receiving Order be made against the debtor for the protection of his estate. Where the Petition is filed by the *debtor*, the Court will make the Order forthwith, and, if the debtor desires it, **adjudication** (the act of the Court whereby the debtor is declared bankrupt and divested of his property) takes place at once. In the case of a *Creditor's Petition*, a copy of the same must be served on the debtor, and the Petition will not be heard by the Court until the expiration of 8 days from such service. If the Petition is filed by a *creditor* it must be founded on one of the **acts of bankruptcy** which renders the debtor *liable* to be adjudged a bankrupt. They are as follows:—(*a*) made an assignment of his property in trust for his creditors generally; (*b*) made a fraudulent assignment of his property, or any part thereof; (*c*) made a conveyance amounting to a "fraudulent preference"; (*d*) having, with intent to defeat or delay his creditors, departed out of England, or being out remained out; or absented himself; or begun to keep house; (*e*) suffered execution on his goods, after they have been either sold or held by the sheriff for 21 days; (*f*) filed a declaration of his inability to pay his debts or presented a Bankruptcy Petition against himself; (*g*) neglected to pay or secure a judgment debt after service of a "bankruptcy notice"; (*h*) given notice to any creditor of suspension of payment.

340. To prevent an influx of paupers a £5 stamp is charged on Bankruptcy Petitions and a deposit of £5 is also required to cover preliminary expenses. The first

THE BANKRUPTCY ACTS, 1883 & 1890.

In the County Court of Yorkshire holden at Huddersfield. No. 969 of 1911.

IN BANKRUPTCY. Re *Thomas Robinson.*

STATEMENT OF AFFAIRS on 31st December, 1911.

Gross Liabilities.	LIABILITIES. (as stated and estimated by Debtor).		Expected to rank	ASSETS. (as stated and estimated by Debtors).			Estim'td to produce
£2420	Unsecured Creditors as per List (A)		£2420	Property as per list (H) viz. :—			
4352	Creditors fully secured, as per List (B)	£4352		(a) Cash at Bankers			£12
	Estimated value of securities	5872		(b) Cash in hand			35
	Surplus	1520		(c) Cash deposited with Solicitor for Costs of Petition.....			-
	Less amount thereof carried to sheet (C)	1500		(d) Stock-in-Trade	(cost £750)		400
	Balance thereof to contra	20		(e) Machinery	(cost £300)		150
2450	Creditors partly secured, as per list (C)	2450		(f) Trade fixtures, fittings, utensils, &c.	(cost £100)		50
	Less estimated value of securities	1800		(g) Farming Stock.....			-
				(h) Growing crops and tenant right			-
127	Liabilities on Bills discounted other than Debtor's own acceptances for value, as per list (D), viz:— On Accommodation Bills as Drawer, Acceptor, or Indorser	£ -	650	(i) Furniture			-
				(j) Life Policies			-
				(k) Other property, viz. :—Crystal Palace Shares.....	(cost £250)		225
	On other Bills as Drawer or Indorser	£127		Total as per list (H)			£872
		£127		Book Debts as per list (I), viz. :—			
	Of which it is expected will rank against the estate for dividend			Good			76
				Doubtful	£504		
				Bad	377		
			Nil			£881	
450	Contingent or other Liabilities as per list (E) ..	£450		Estimated to produce			175
	Of which it is expected will rank against the estate for dividend			Bills of Exchange or other similar securities on hand as per list (J)		£135	
			250				
150	Creditors for rent, &c., recoverable by distress as per list (F).....	£150		Estimated to produce			135
864	Creditors for rates, taxes, wages, &c., payable in full, as per list (G)	334		Surplus from securities in the hands of Creditors fully secured (per contra) ..			20
	Sheriff's charges payable under s. 11 of the Bankruptcy Act of 1890, estimated at.....	-					£1278
		514		Deduct Creditors for distrainable rent. and preferential rates, taxes, sheriff's charges, etc., (per contra)..... ..			454
	Deducted contra	454	60				
							£824
				Deficiency explained in Statement (K) ..			2556
£10313			£3380				

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result of a Bankruptcy Petition is the making of a **Receiving Order (R.O.)** by the Court, whereby the **Official Receiver (O.R.)** is constituted *receiver* of the property of the debtor. This order does not divest the debtor of his property, but merely protects it by putting the O.R. in charge thereof, as well as stays proceedings by unsecured creditors. The Official Receiver is a Solicitor appointed by the Board of Trade to take charge of and distribute a bankrupt's estate during the liquidation of his business. As soon as the R.O. is made the debtor is bound to give the O.R. full information as to his financial affairs, and to make out a formal statement of his assets and liabilities for submission to the first meeting of creditors, which should be held within 14 days of the R.O.; when the debtor may propose that his insolvency should be terminated by a **composition** or **scheme** thereby avoiding the disabilities of bankruptcy proper. If this proposal be not assented to, the debtor must be adjudged Bankrupt. If it be assented to, by a majority in number representing *three-fourths in value* of all the creditors who have "proved," the assent is provisional. When the **Public Examination** (which consists of questioning the debtor as to his conduct, dealings and property) is concluded, the matter then goes before the Court for its approval. The Court, before sanctioning the scheme hears the report of the O.R., and has to consider whether it is calculated to benefit the general body of creditors, and also whether the debtor's conduct has been such as to justify his escape from the consequences of bankruptcy. When the scheme is approved by the Court it is binding on any dissentient minority of creditors, the R.O. is rescinded, and the debtor is remitted to the full control over his affairs; but if the provisions of the scheme are not carried out, the debtor is still liable to be made bankrupt. Even after adjudication has taken place the debtor may propose a composition, and if sanctioned by the Court, the adjudication is annulled.

341. When it has been decided that a debtor's estate shall be administrated in bankruptcy proper, the first

business of the creditors is to elect a **Trustee**; who cannot act, however, till he has received the Certificate of the Board of Trade, to whom he must give security for the due performance of his duties; which are to discover, realise and distribute the bankrupt's property, as quickly as possible, and obey the directions of the Committee of Inspection. In the Interim the O.R. acts as trustee, in whom the whole of the property of the bankrupt (as well as any further property which he may acquire before he gets his discharge) vests. This rule does not apply to the debtor's personal earnings. The trustee, as a rule exercises his functions under the guidance of a **Committee of Inspection,** appointed by the creditors, but if no such Committee be appointed, their duties (which are to watch and superintend the administration of the estate, and see that the bankrupt's affairs are liquidated in the best manner conducive to the general interest of the creditors) are performed by the Board of Trade. When the assets of the debtor have been realised, the Trustee, before applying to the Board of Trade for his **Release,** must give notice of his intention so to do, to all the creditors who have proved their debts, and to the debtor; and must send with such notice a summary of his receipts and payments, in accordance with the Form shown on page 429. This **Realization Statement** is usually sent out with the notice declaring the final dividend.

342. As soon as the bankrupt's examination is concluded he may apply for his **Discharge.** Notice of this application must be given by the O.R. to every creditor who has proved his claim, except in summary cases to creditors under £2. At the hearing the Court receives from the O.R. a report on the debtor's conduct and the cause of his failure. The O.R., the Trustee, and any creditor who appears are entitled to be heard on the matter. If it appears that the debtor has been guilty of any conduct amounting to **misdemeanor** under part 2 of the **Debtors' Act, 1869,** the Court *must* ordinarily refuse his discharge. The debtor then can

THE BANKRUPTCY ACTS, 1883 & 1890.

In the County Court of Yorkshire, holden at Huddersfield. No. 969 of 1911.

IN BANKRUPTCY. *Re Thomas Robinson.*

REALIZATION STATEMENT, showing position of Estate at date of application for Release of Trustee and declaring final dividend.

	Estimated to produce per Debtor's statement. £ s. d.	Receipts. £ s. d.
To total receipts from date of Receiving Order, viz. :—		
Cash at Bankers		
Deposit on Petition		
Property :—		
(a) Stock-in-Trade		
(b) Machinery, Fixtures, etc.		
(c) Farming Stock		
(d) Furniture		
(e) Other Property :—		
Book Debts		
Bills of Exchange		
Surplus from Securities		
Other receipts :—		
Total		
Less :—		
Deposit returned to Petitioner		
Payments to redeem securities		
Costs of Execution		
Payments per Trading Account		
	£	
Net Realization	£	

	Payments. £ s. d.
By Board of Trade and Court Fees (including Stamp of £5 on petition)	
Law Costs of petition	
Other Law Costs	
Trustees' remuneration as fixed by the Committee of Inspection, viz. :—	
per cent. on assets realized	
per cent. on assets distributed in dividend	
Special Manager's Charges	
Person appointed to assist Debtor under sec. 70 of the B.A., 1883	
Auctioneer's Charges as taxed	
Shorthand Writer as taxed	
Costs of Possession	
Costs of notices in Gazette and local papers	
Incidental Outlay	
Total Cost of Realization £	
Allowance to Debtors	
Creditors, viz. :—Rent	
Preferential	
Unsecured :—Final Dividend now declared of in the £ on	
The Debtor's estimate of amount expected to rank for dividend was	
Balance	
£	

only escape from bankruptcy and its consequent civil disqualification by payment of his debts in full, with costs and interest. If the debtor has not committed a misdemeanor, but has been guilty of **minor misconduct,** the Court has a discretion either to refuse the discharge, or to suspend it, or make it conditional A common condition is to order judgment for a specified sum to be entered up against the debtor. There are 12 classes of facts involving *minor misconduct* which prevent the Court from granting an unconditional and immediate discharge; for instance, not keeping proper business books, trading with knowledge of insolvency, rash speculation, previous bankruptcy, fraud, or fraudulent breach of trust, or inability to pay 10/- in the £. It is a criminal offence for an **undischarged bankrupt** to obtain credit to the extent of £20 or upwards from any person without informing such person that he is an undischarged bankrupt. If the debtor's financial conduct has been blameless he is entitled to an unconditional discharge. The **Order of Discharge** releases the debtor from all debts and liabilities provable in the bankruptcy, with the exception of certain crown debts and debts incurred through his personal fraud or fraudulent breach of trust, and claims arising out of seduction or divorce court proceedings.

343. Special provision is made for the more summary administration of **small estates** when the estimated **assets do not exceed £300.** In such cases the O.R. acts as trustee, unless superseded by the creditors, and discharges the duties of the Committee of Inspection. Only one meeting is required to approve a composition and when possible the estate is to be distributed in a single dividend. In the case of quasi-pauper debtors, whose total liabilities do not exceed £50, the County Courts are empowered to make what is called an **"Administration Order,"** under which the debtor pays his debts, either in full or in part, by specified instalments out of his earnings.

344. STATEMENT OF AFFAIRS. When a Receiving Order is made, the debtor must make out and

submit to the O.R. a statement of his affairs in the prescribed form, verified by affidavit, and showing detailed particulars of all his assets and liabilities; and such further or other information as the O.R. may require. The Statement must be so submitted, if the Order is made on the petition of (*a*) the debtor, within *three* days; (*b*) a creditor, within *seven* days; each from the date of the Order; but the Court may, for special reasons, extend the time. The Statement must be made out, *in duplicate*, on the 13 printed forms or Sheets supplied by the O.R. If the debtor cannot himself prepare a proper Statement, the O.R. may, subject to prescribed conditions, and at the expense of the estate, employ someone to assist in its preparation.

345. An ordinary **Balance Sheet** contains a list of the assets and liabilities as shown in the books of a *working* concern, but in the B/S. to be prepared by a bankrupt in the form of a **Statement of Affairs,** provision must be made for *loss on realisation of the assets*, while the values of the securities must be deducted from the amounts owing to secured or partly secured creditors. In other words, an ordinary B/S. is a statement of the assets and liabilities of a *live concern* with earning capacity, whereas the B/S. required to be made out by a bankrupt is a statement of the assets and liabilities of a *dead concern* without earning capacity, consequently selling or market or break-up prices, only, must be stated, while all fictitious items, such as goodwill, must be omitted. Where the a/c. books of the debtor have been properly kept, no difficulty will be experienced in preparing the Statement; but where the debtor has kept no books, or very defective records, then resort must be had to advices, letters, consignment and delivery notes, invoices, statements, receipts, cheques, counterfoils, bank pass books, and to questioning the debtor and his creditors. All books of a/c., also the cash and any B/E. must be delivered to the O.R. when the Statement is filed; if the debtor has no books, a note to that effect should be made on the Deficiency A/c. The **Official**

Forms used for the Statement are lettered respectively from **A** to **L**, each one being labelled or headed, and containing full instructions as to the information required to be given thereon. In the case of a **Partnership** the *joint* Statement will deal with the affairs of the *firm*, and the *separate* Statement will show the *private* or *individual* affairs of each partner. If any of the separate estates show a surplus it must be carried forward to the Statement of the firm, for division among the firm's creditors and *vice-versa*.

346. Creditors should, immediately on receiving notice of the bankruptcy, make their claims against the estate, by filling up, being sworn, and forwarding to the O.R., the Form of Affidavit, known as **"Proof of Debt,"** which requires a 1/- bankruptcy stamp if the debt exceeds £2.

347. Form A. "Unsecured Creditors," whose only claim is upon the *general* assets of the debtor, derived from the obligation, expressed or implied, into which every debtor enters, of paying his debts out of his property, as distinct from a *secured* creditor, who, in addition to this general claim, has a charge upon some part of the debtor's property. Where there is a **contra a/c.** against the creditor, *less* than the amount of his claim against the estate, it should be shown, and the *balance only* inserted under the heading *Amount of Debt*. "Trade" discount must always be deducted and only the net amount shown. The particulars of any B/E. and P/N. held by a creditor should be inserted below the name and address of such creditor. The date when each debt was contracted, as well as the consideration, is also required. Debts contracted more than six years previous to the date of the R.O. should not be inserted unless the debtor has within six years suffered judgment in respect thereof, or has kept a debt alive by a payment on account, or has given a written promise to pay. A Judgment holds good for twelve years from its date.

348. B. "Creditors fully Secured." A Secured Creditor is one holding a mortgage, charge, or lien upon

the property of a debtor, or any part thereof, as a security for a debt due to him from the debtor. The holder of a B/E. or P/N. is not a secured creditor, such documents being mere personal engagements to pay; nor is a mere Judgment Creditor thereby secured; but where the holder of a B/E. (accepted payable against delivery of Bills of Lading) also holds the B/L. he is a secured creditor. Where a creditor holds a security on a *third party* he may prove for his *whole debt* and then resort to his security in case of any deficiency, for he is not a person holding a charge upon the property of the debtor, but on the property of some other person, consequently his claim must appear on Form A. Form B must show particulars of the security, when given, estimated value, and estimated surplus, if any. A creditor in respect of furniture or machinery obtained under a **hire-purchase agreement** should be entered here as fully secured. It is assumed by the Court that the custom of hotel keepers hiring their furniture is so notorious as to negative the fact that it belongs to them. Therefore, such furniture, though in the bankrupt's order and disposition to be used or dealt with in the way of his trade or business, does not pass to the trustee, owing to the custom. Goods sent on *approval*, or on *sale* or *return*, in accordance with a custom of the trade, are not the property of the bankrupt, and the true owner can demand possession of them. The holder of an *absolute* **Bill of Sale** is secured so far as the chattels comprised therein are concerned. So, too, is the holder of a Bill of Sale for money advanced, which was registered *before* the Act of 1882 came into operation, but not since. If the Bill of Sale has been executed more than five years, it must, to make it secure, have been re-registered within five years. The *beneficiaries* under a **trust** are secured creditors where the trustee becomes bankrupt. A **banker** is a secured creditor, in respect of all securities in his possession, for the unpaid balance of the debtor's current a/c.; but not if the securities were merely deposited with him for safe custody. A **solicitor** is also a secured creditor in respect of all title deeds or securities in his possession, whether deposited for safe custody or not.

349. C. "Creditors partly secured." These creditors hold *some* security for their debts, but insufficient to cover the whole of the debt due from the bankrupt. The particulars required are similar to Sheet B, with the addition of a column headed *Balance of Debt unsecured* which balance will rank for dividend, on proof that the value of security has been properly assessed.

350. D. "Liabilities of debtor on Bills Discounted other than his own Acceptances for Value." Full details are required as to the bills negotiated by the debtor, although these should be paid by the acceptors; but as the debtor is liable as drawer or endorser, the amount of any bill *expected to be dishonoured by the acceptor* must be inserted in the column "Expected to rank against Estate for dividend." Though the bankrupt is merely an accommodation acceptor, he is equally liable as an ordinary acceptor to pay any holder *except* the drawer. Bills of which the bankrupt is an ordinary acceptor should be included in form A, and not in this form. The two kinds of bills to be included in this form are: (1) bills and notes to which the bankrupt has made himself surety by drawing or endorsing; (2) those which he had drawn, accepted, or endorsed, for the accommodation of some third person, he himself receiving nothing from the transaction. In the former case they are documents which the bankrupt has either paid away to some other person in the course of trade or has discounted. The total amount expected to rank against the estate for dividend will need treating as a loss when preparing the Deficiency A/c.

351. E. "Contingent or other Liabilities" records the debtor's liability as *surety* for others on Accommodation Bills, for unpaid shares, as well as in respect of uncompleted Contracts, Leases, &c. This is really another form for *unsecured* creditors, with the difference that form A is for ascertained and certain debts for which the debtor has received valuable consideration, and form E is for uncertain debts and liabilities incurred without valuable

consideration, or where though such existed, the debtor is jointly liable with some third party. The following are some of the cases in which form E should be used (1) Where the debtor is surety for another, he receiving no part of the sum advanced; (2) Where he is *jointly* liable on a bill, of which he has received part of the proceeds; (3) Where he has entered into a bond for the faithful performance of services by a third party, even though he may not expect to be called upon to pay the amount; (4) Onerous covenants contained in a lease, such as for repairs or reinstating buildings; (5) Liabilities connected with uncalled capital of shares; (6) Penalties incurred by the debtor in respect of breaches of contract, as a builder under a building contract, for non-completion; (7) Claims by debtor's wife for money lent to him for business purposes; (8) Claims by "sleeping partners," viz., persons who, having advanced money to the debtor, have agreed to receive, by way of interest, a share of the profits of the business; (9) Claims by retired partner in respect of capital left by him in debtor's business; (10) Outstanding claims against a firm of which debtor is the remaining partner; (11) Amounts remaining unpaid under a prior deed of composition; (12) Claims for damages for breach of trust committed by debtor; (13) Annuity for life contingent on the performance or non-performance of some act.

352. F. "Creditors for Rent, &c., Recoverable by Distress." A landlord can only claim payment in full for *six months'* rent, unless a distress has been levied before the commencement of Bankruptcy. In any case, the rent is only payable in full up to the amount of the Debtor's property on the premises in respect of which rent is claimed. A claim for rent of £100, in respect of premises where the realisable value of the Debtor's property is estimated to produce only £50, would be entered as £50 for payment in full, and £50 ranking for dividend. **Ground Rent,** due to a lessor, being a charge upon the property, is payable in *full*, regardless of the period covered by the arrears. If an execution has been levied on the debtor's property, and the sheriff is in possession at

the date of the R.O., his costs form the first charge on the property seized, and should therefore appear on this form.

353. G. "Preferential Creditors for Rates, Taxes and Wages." The order in which debts are payable is regulated by "*The Preferential Payments in Bankruptcy Acts*, 1888 and 1897," which provide for the payment in full of rates and taxes, not exceeding **one year's** assessment; also the **wages** or salary of any *clerk* or *servant* in respect of services rendered to the bankrupt during *four months*, before the date of the R.O., not exceeding £50; also the **wages** of any *labourer* or *workman* in respect of services rendered during *two months* before the date of the R.O., not exceeding £25; any balance in excess of these limitations ranking for dividend. Municipal and Local Authorities sometimes have the power of distress for gas and water charges and would therefore be preferential creditors. The B.A., 1883, s. 125, provides for the payment in full of the funeral and testamentary expenses of a **deceased debtor;** and s. 41 makes the compensation for breach of agreement payable to an apprentice or articled clerk, preferential. By the Friendly Societies' Act, 1896, s. 35, trustees of a friendly society have, on the bankruptcy of an officer of the society, who as such officer has in his possession money or property of the society, a right to receive the same in preference to other claims against the estate.

354. H. "Property," which is interpreted as meaning money, goods, things in action, land and every description of property, whether real or personal, and whether situate in England or elsewhere; also obligations, easements and every description of estate, interest and profit present or future, vested or contingent arising out of or incident to property as above defined. The bankrupt is entitled to retain for his own use the tools of his trade, and the wearing apparel and bedding of himself, his wife, and children to an amount not exceeding in value a total of £20. The headings given in this sheet are repeated in the "Front Sheet" of the

Statement. Particulars of Leases and reversionary interests would be shown here under "Other Property"; also the value of stocks and shares. The value of a policy on the life of a debtor, in his own name, must be shown; but if in his wife's name or in the names of trustees, it should be omitted. If on the life of a third person, and held merely as security for a debt, it should be so stated in Form I or J as the case may be, and not entered on Form H.

355. I. "Debts due to the Estate," provides for a full list of all the book debts, giving three columns for classification as good, doubtful and bad. Where a debtor has a *contra a/c.*, the amount thereof should be deducted as on Form A and the *balance* only c/f.

356. J. "Bills of Exchange, Promissory Notes, &c., available as Assets." This only requires details of those bills of which the debtor is *holder*, and are consequently handed over to the O.R. immediately on the R.O. being made.

357. K. "Deficiency Account." This form is intended to show how the deficiency or estimated surplus (if any) as at the date of the R.O. is arrived at. It is practically the **Capital A/c.** of the bankrupt, with the sides reversed. Starting (where possible) from a date when the trader is solvent, this a/c. should gradually trace out in detail all the losses, expenses, and other causes bringing about his failure. The account should therefore commence with the excess of assets over liabilities, or *vice-versa*, at least 12 months (in the case of a company, three years) before the date of the R.O., or such other time as the O.R. may fix. The a/c. must then show the subsequent profits or losses from business or otherwise, all subsequent expenses other than trade exs., *e.g.*, medical attendance, private drawings, household exs., value of goods withdrawn from the business for family consumption, damages and costs in law suits, bad and doubtful debts per Form 1, losses by fire or storm, death of horses or cattle, depreciation in values, gambling or Stock Exchange losses, and any

K. Deficiency Account.

Excess of Assets over Liabilities on the 31*st* day of *December*, 1910, (about) (if any)	£500	Excess of Liabilities over Assets on the day of 19 (if any)	
Net Profit (if any) arising from carrying on business from the 31*st* day of *December*, 1910, to date of R.O., after deducting usual Trade Expenses	505	Net Loss (if any) arising from carrying on business from the day of 19 to date of R.O., after deducting from Profits the usual Trades Exs.	Nil
Income or profit from other sources (if any) since the day of , 19		Bad Debts (if any) as per Schedule "I"	£706
		Expenses incurred since the 31*st* day of *December*, 1910 other than usual Trade Exs., viz.: Household Exs. of self, *wife, and four children*	900
DEFICIENCY as per Statement of Affairs	2556	Other Losses and Expenses (if any)—	
		Interest and Costs paid (about)	50
		Betting Loss s (about).....	100
		Liabilities for which no consideration received—	
		Costs, Sykes v. Swift £588	
		,, *Johnson's judgment* 15	
		—	553
		Interest added to Debts—	
		A. Brown s loan £150	
		E. Wilson's loan 252	
		—	402
		Illness– Dr. Jessop's claim	25
		Liability under lease for repairs	250
		Depreciation in value of Stock and Effects, or other property as estimated for realisation	575
		Surplus as per Statement of Affairs (if any).....	
Total amount to be accounted for	£3561	Total amount accounted for	£3561

extraordinary payments for which the debtor has received no valuable consideration, such as losses through drawing or endorsing a B/E., dishonoured by the acceptor per Form D; or by suretyship or the backing of Accommodation Bills. The balance of the a/c. should show the deficiency (or surplus, if so) as at the date of the R.O., and should agree with the balance shown upon the "Front Sheet."

358. L. "In substitution *for such of the Sheets named 'A' to 'J' as will have to be returned blank.*" This sheet

is used to avoid filing a number of forms, which would not be required in most small bankruptcies.

359. "Front Sheet." The Statement of Affairs contained on some or all of the twelve lettered sheets is not complete until the totals of such sheets have been *transferred or carried forward* to what is known as the "Front Sheet;" which is really the **Summary** or **Balance Sheet** showing the debtor's position at a glance; and which must bear a 2/- bankruptcy stamp as a filing fee. The particulars of the assets are obtained from Forms H, I and J, and the surplus (if any) from fully secured creditors per Form B. From the total of these must be deducted (1) The distrainable and preferential claims per Forms F and G, and (2) any sheriff's charges which may be payable under the B.A., 1890. The liabilities which are expected to rank against the estate are made up from Forms A, C, D, E, and the resulting balance, surplus, or deficiency, should agree with the balance shown in Form K. Each sheet must be **signed** by the **debtor** and **verified** by **oath** or declaration; any **material omission** in the statement relating to his affairs, rendering him liable to imprisonment, not exceeding two years. It will be noted that the principal difference between the preparation of a B/S. and a Statement of Affairs is in the classification of the liabilities under the heads of "Unsecured," "Fully Secured," "Partly Secured," and "Preferential" Creditors, the value of the securities being shown as a *deduction* and *not* among the assets. Where the securities are likely to realise more than the debt, the *difference* only comes under the head of the Assets; from which is also deducted the total amount due to "Preferential" Crs.

360. In **partnerships**, the bankruptcy of one partner constitutes a dissolution of the partnership subject to any agreement between the partners. The **dissolution** dates from the act of bankruptcy, and the authority of the bankrupt to deal with the partnership assets is determined from that date. The accounts between the

trustee of the bankrupt person and the solvent partners are made up from the same date, except as to profits made by the solvent partners subsequent to the bankruptcy by employment of the capital existing at the date of the bankruptcy, of which the trustee is entitled to an account. The **trustee** in bankruptcy does not become a co-partner with the solvent partners, and although he is in strictness entitled to put a person in possession of the whole of the property of the firm it is seldom done, as the solvent partners, either by consent, or through the intervention of the Court, make arrangements for securing to the trustee payment of the bankrupt's share in the assets of the firm. Where any one partner remains solvent, and in a position to be entitled to deal with the partnership estate, there will be no distribution of the partnership assets in bankruptcy, but in all other cases, partnership assets, to the extent of the interest of the bankrupt, will be administered, as well as his separate estate; and wherever there is administration of the partnership assets the administration of the joint and separate estates will be kept distinct.

361. Joint Creditors must first be paid out of the partnership or *joint estate*, and the **separate** creditors out of the *separate* estate of each partner; and if there be a **surplus** of the joint estate besides what will pay the joint creditors, the same is applied to pay the separate creditors; and if there be, on the other hand, a surplus of the separate estate beyond what will satisfy the separate creditors, it is applied towards the deficiency that may remain as to the joint creditors. Where a person is **partner** in **several firms,** all of which become bankrupt, the surplus of his separate estate will be distributed amongst the several joint estates in proportion to their liabilities.

Bankruptcy Exercise 1.

Prepare Statement of Affairs and Deficiency A/c. of Coon & Co., a firm of shippers, who filed their petition on 31st Dec., 1906. Their books showed that they owed £40100, of which creditors amounting

to £6500 held stock of the estimated value of £7500, others amounting to £29000 held stock of the estimated value of £15000 and a mortgage on the property at Calcutta valued at £13000, and £100 was for rent of warehouse. Bills had been discounted amounting to £3500, in respect of which it was estimated the firm would be liable for £500. The assets consisted of Good Book Debts, £1500; Doubtful, £600, estimated to produce £300; and Bad, £700; Furniture and Fittings, £300, estimated to realise £150; Cash at Bankers, £50, B/R., £350; Stock, £1600, estimated to produce £1200. The firm commenced business on 1st Jan., 1902, with a capital of £25000. After *charging* £1000 a year for int. upon cap., and £1300 a year for partners' salaries (which were credited to the Capital A/c. and *not* withdrawn), they made a profit in the first year of £2700, but in the succeeding four years losses were incurred of £2500, £3200, £4500, and £6000 respectively, while they drew out cash at the rate of £1200 a year. The property at Calcutta cost £22000, and the stock mortgaged was subjected to a discount of 25%.

Answer:—*Deficiency* £1550.

Bankruptcy Exercise 2.

On 1st January, 1902, three gentlemen bought a Calico Printing Business for £400000. On 31st December, 1906, they were compelled to stop payment, their *Assets* being:—

Land, Buildings and Machinery, &c.	£300000
Which were estimated to realise	100000
Sundry Investments £110000; Estimated to realise	26500
Trade Marks £25000; Estimated to be of no value.	
Cash in hand £1200; Bills Receivable	2000
Stocks and Consignments, less Advances	175000
Estimated to produce, £125000.	
Debtors:—Good £50000; Bad	18800
Doubtful £50000; Estimated to realise	10000
Liabilities:—Salaries and Wages unpaid	5000
Bills Discounted £50000; liability expected thereon	15000
Sundry Creditors (including the Bank £125000)	355500
Of which £70000 held the security of the Land, Buildings, Machinery, &c., and £30000 held a charge over the whole of the Investments.	

Prepare Statement of Affairs, and Deficiency A/c. Their trading was carried on at losses of £10000, £25000, £24000, £18000, and £29000 respectively each year, after charging the P. & L. A/c. with their own salaries of £3000 a year each, £20000 a year for Depreciation of Buildings and Machinery, and £20000 a year for Int. on Cap. They also drew out £1500 a year each in addition to their salaries.

Answer:—*Deficiency* £60800.

Bankruptcy Exercise 3.

Green & Smart are in partnership as drapers, and find they are unable to meet their liabilities. Prepare Statement of Affairs. Trade Creditors £3000; Cash Creditors:—Mrs. Green £500; Miss Smart £300.

(It is expected that Mrs. Green will not press her claim.)

James Jones, secured by mortgage on premises, the estimated value of which is £1250	£1000
Creditors:—Wages £50; Rates and Taxes £30; Rent (distrainable)	100
Assets (in addition to property mortgaged to Jones):—Cash	20
Sundry Debtors:—Good £600; Bad £200 Doubtful £300, estimated to produce	100
Stock £1000, estimated to produce	700
Fixtures & Fittings £300, estimated to produce	150

Answer:—*Deficiency* £1660.

Bankruptcy Exercise 4.

William Roberts and Henry Pollard carry on business together as Cloth Merchants. Being insolvent they file their petition.

Assets of Firm.	Valued at	Estimated to produce
Fixtures & Fittings	£400	£200
Stock-in-Trade	6000	4500
Sundry Debtors:—Good		1200
Doubtful	300	100
Bad	300	nil.
Bills Receivable	500	400

Bradford Mills Co., Ltd., 50 £5 Shares fully paid, quoted on the Exchange at $3\frac{3}{4}$—$4\frac{1}{4}$.

Freehold Property, valued at £3250. Cash in hand £12.

Unsecured Creditors, £8000; Mortgage on Freehold Property, £3000; Charles Dean for Loan, £1000, for which he holds the Bradford Mill Co.'s Shares as security; Liability on Bills discounted (none of which are expected to rank), £200; Landlord for distrainable rent, £50; Creditors for Rates, Taxes, Wages, &c., £320, payable in full.

The *separate estate* of Wm. Roberts showed a surplus of £200, whilst that of Henry Pollard showed a deficiency of £500. Prepare a joint Statement of Affairs of Roberts & Pollard.

Answer:—*Deficiency* £2508.

Bankruptcy Exercise 5.

On 31st December, 1911, Bill Bailey is unable to meet his engagements. His Liabilities are:—Underbank Banking Co., Ltd., £1200 (as security for which they hold £1500 Debenture Stock of the

Berkshire Railway Co.); Unsecured Creditors £4000; his Father £3000 (who holds a Mortgage on the Premises); Wages £100; Chief Rent (half-year) £15; Bills Discounted £500 (one-half of which will probably rank against the estate). His Assets are:—Buildings, of the value of £2000; Machinery, of the value of £1500; Fixtures, &c., of the value of £200; Debenture Stock of the Berkshire Railway Co., value £1500; Stock, estimated to realise £1500; Book Debts, Good £1000; Book Debts, Doubtful £200 (estimated to realise £100); Book Debts, Bad £150; Cash £15. Prepare the Statement for submission to his Creditors.

Answer:—*Deficiency* £750.

Bankruptcy Exercise 6.

Prepare a Statement of Affairs of Henry Swank from the following particulars at 31st March, 1912:—

Freehold Land & Buildings £5000, Estimated to produce £4500				
Book Debts—Good	1000			
Doubtful ..	300	do.	do.	100
Bad	500	do.	do.	nil
Stock-in-Trade	1500	do.	do.	1000
Plant & Machinery	1200	do.	do.	600
Cash in hand	25			
Household Furniture & Effects	300	do.	do.	180

Mortgage on the above Freehold Land & Buildings, £3500, at 5%. The Interest was paid to 31st December, 1911.

Trade Creditors, unsecured, £2500; Cash Crs., unsecured, £1000.

Bank Overdraft £1000, the Bank holding, as security, a policy for £2000, payable at death, premium £50 per annum, surrender value 31st March, 1912, £600; Preferential Creditors for Rent, Rates, Taxes & Wages, £300.

Answer:—*Deficiency* £338 15.

Bankruptcy Exercise 7.

On 31st December, 1912, the firm of Long & Short suspend payment, and you are supplied with the following particulars from which to prepare a Statement of Affairs and a Deficiency A/c.

Liabilities.		£	**Assets.**	£
Sundry Trade Creditors ..		2820	Land & Buildings	7200
Sundry Cash Creditors ..		1000	Stock-in-Trade	1050
Loans on Mortgage		5000	Sundry Debtors.....	820
Capital:—			Trade Fixtures	50
Long, 1st Jan., 1912	£820		Machinery & Plant ..	560
Less Net Loss....	400	420	Cash in hand	35
Short, 1st Jan., 1912	675			
Less Net Loss....	200	475		
		£9715		£9715

The partners' drawings have each been at the rate of £250 per annum and have been paid in cash and charged as a working expense. The assets have to be depreciated as follows:—Land & Buildings, 25%; Stock-in-Trade, 15%; Machinery, 10%. The Book Debts represent Good £400, Doubtful £300, and Bad £120. Value the Good Debts at 10% off, the Doubtful at half their nominal amount, and the Bad at nil. The partners have no separate liabilities, and Short alone has assets represented by Household Furniture, £50. **Answer:**—*Deficiency* £1378 10.

Exercises numbered **121, 122, 123, 130, 137, 161, 162, 163,** further illustrate Bankruptcy matters.

362. ROYALTIES AND SHORT WORKINGS.

A **Royalty** is a payment made by one person to another in return for some privilege or concession; as, for instance, the payment made by a manufacturer to the inventor for the use or sale of a patent; the percentage of profits or amount per copy paid to the author for the privilege of publishing his works; or the payment of a colliery proprietor to his landlord for every ton or acre of coal and other minerals extracted. It will be noticed that the amount of royalty will vary according to the sale or production.

363. A Minimum or **Dead Rent** is that annual sum payable by a person, who has taken a lease of a mine, to his landlord, irrespective of whether the quantity of minerals raised during that period justifies it or not; in fact, as its name implies, such rent would be payable if the mine were not worked at all. Minimum rent is variously called *fixed* rent, *certain* rent, *head* rent and *sleeping* rent. The **Royalty Rent** is that which fixes the *maximum*, as compared with the *minimum*, and is sometimes called *Tentail* or *Acreage Rent*.

364. Short Workings or **Redeemable Dead Rents** occur where the **Royalty Rent** for a given year does *not* reach the amount payable for Minimum Rent. In Leases of mines it is usual to fix the Royalties at so much per ton or acre, but in order that the *landlord*, known as the

lessor, shall not be deprived of a reasonable income from such properties, a Minimum Rent is agreed upon, which the *lessee* is bound to pay to the *lessor*, regardless of whether any minerals are extracted or not. Suppose a case where the Minimum Rent is £500 per annum, and the *Maximum* or **Royalty Rent** on the output for a given year is £550, this latter amount, or £50 *excess* of Minimum Rent, would be payable to the landlord or *lessor;* but should the Royalty Rent on the output have only reached £450, the Minimum Rent of £500 would still be payable, and the *difference* of £50 would be called the *Short Working*. A lessee is generally allowed to recoup himself in respect of *Short Workings* out of *future* Royalties which may be in excess of the Minimum Rent. Where this provision exists, and where also, by reason of the length of the lease and all other circumstances, the lessee will be able to avail himself of such a power, the value of *Short Workings* may be treated in the accounts and B/S. as a temporary asset.

365. When the Minimum Rent, for a given period, *exceeds* the Royalty Rent, debit the *Royalties A/c.* with the Royalties earned, debit the *Redeemable Dead Rent A/c.* with the *difference* between the Royalties earned and the Minimum Rent, and credit the *Landlord's A/c.* with the *total* Minimum Rent for the period. When the Royalty Rent *exceeds* the Minimum Rent debit *Royalties A/c.* and credit *Landlord's A/c.* with the total, but should there be Redeemable Dead Rent outstanding, then credit *Dead Rent A/c.* with the *difference* between the Minimum Rent and Royalty Rent, and credit the Landlord's A/c. with the Minimum Rent only. The following transactions, journalised and posted on the next two pages, illustrate the manner of dealing with *Short Workings*.

Example. A Colliery is worked under a forty year's lease, at a Royalty of 1/- a ton, with a Minimum yearly rent of £1500, with power to recoup Short Workings. In the first year 24000 tons are worked; in the second 25000; in the third 26800; in the fourth 32000; and in the fifth 34500.

Journal.

(1)	Royalties A/c. .....Dr.		£1200	
	Redeemable Dead Rent A/c. .. .. „		300	
	To Landlord.....			£1500
(2)	Royalties A/c. .....Dr.		1250	
	Redeemable Dead Rent A/c. ..... „		250	
	To Landlord.....			1500
(3)	Royalties A/c. .....Dr.		1340	
	Redeemable Dead Rent A/c. ..... „		160	
	To Landlord.....			1500
(4)	Royalties A/c. .....Dr.		1600	
	To Redeemable Dead Rent A/c. ..			100
	„ Landlord.....			1500
(5)	Royalties A/c. ..... Dr.		1725	
	To Redeemable Dead Rent A/c. ..			225
	„ Landlord.....			1500

The debit on *Royalties A/c.* requires to be transferred annually to the *Trading A/c.* and the credit on *Landlord's* or *Lessor's A/c.* would either be closed by cash payments or appear in the B/S. as a liability. The debit on *Redeemable Dead Rents A/c.* (£300 first year, £550 second year, £710 third year, £610 fourth year, £385 fifth year) would appear in the respective Balance Sheets as an asset.

Dr. **Royalties A/c.** **Cr.**

		£			£
1908			1908		
Dec. 31	To Landlord	1200	Dec. 31	*By Trading A/c.*	1200
1909			1909		
Dec. 31	To Landlord....	1250	Dec. 31	*By Trading A/c.*	1250
1910			1910		
Dec. 31	To Landlord	1340	Dec. 31	*By Trading A/c.*	1340
1911			1911		
Dec. 31	To Dead Rent ..	100	Dec. 31	*By Trading A/c.*	1600
„ 31	„ Landlord	1500			
		£1600			£1600
1912			1912		
Dec. 31	To Dead Rent ..	225	Dec. 31	*By Trading A/c.*	1725
„ 31	„ Landlord	1500			
		£1725			£1725

Dr. **Redeemable Dead Rent A/c.** **Cr.**

		£			£
1908			1908		
Dec. 31	To Landlord	300	Dec. 31	*By Balance .....c/d*	300
1909			1909		
Jan. 1	To Balance ..b/d	300	Dec. 31	*By Balance .....c/d*	550
Dec. 31	„ Landlord	250			
		£ 550			£ 550
1910			1910		
Jan. 1	To Balance ..b/d	550	Dec. 31	*By Balance .....c/d*	710
Dec. 31	„ Landlord	160			
		£ 710			£ 710
1911			1911		
Jan. 1	To Balance ..b/d	710	Dec. 31	By Royalties.....	100
			„ 31	„ *Balance.....c/d*	610
		£ 710			£ 710
1912			1912		
Jan. 1	To Balance ..b/d	610	Dec. 31	By Royalties.....	225
			„ 31	„ *Balance .....c/f*	385
		£ 610			£ 610

Dr. **Landlord's A/c.** **Cr.**

		£			£
1908			1908		
Dec. 31	To Cash.....	1500	Dec. 31	By Royalties	1200
			„ 31	„ Dead Rent	300
		£ 1500			£ 1500
1909			1909		
Dec. 31	To Cash.....	1500	Dec. 31	By Royalties	1250
			„ 31	„ Dead Rent	250
		£ 1500			£ 1500
1910			1910		
Dec. 31	To Cash.....	1500	Dec. 31	By Royalties	1340
			„ 31	„ Dead Rent	160
		£ 1500			£ 1500
1911			1911		
Dec. 31	To Cash.....	1500	Dec. 31	By Royalties	1500
1912			1912		
Dec. 31	To Cash.....	1500	Dec. 31	By Royalties	1500

Royalties Exercise 1.

The Altofts Colliery Company are lessees of a mine at a dead rent of £2000 per annum, merging into a royalty of eightpence per ton. Dead rent paid in excess of actual royalties is recoverable thereout during the next five years succeeding the year in respect of which such excess was paid. The first year in respect of which the dead rent was payable expired on 31st December, 1908. The excess paid in respect of the first year was £2000; of the second year, £1450; and of the third year, £350. In the fourth year the actual royalties amounted to £2750; in the fifth year to £3250; in the sixth year to £3600; and in the seventh year (in consquence of a strike) to £1850 only. Set out for the seven years the Nominal Ledger A/c. of "Royalties" in respect of this lease, carrying forward each year as an asset any excess of dead rents paid recoverable in subsequent years, and showing on this basis the amounts charged each year to trading in respect of royalties.

Royalties Exercise 2.

The Barnsley Colliery Company are lessees of a mine at a dead rent of £2000 per annum, merging into a royalty of eightpence per ton. Dead rent paid in excess of actual royalties is recoverable thereout during the next five years succeeding the year in respect of which such excess was paid. The excess paid in respect of the first year was £2000; of the second year, £1450; of the third year, £350. In the fourth year the actual royalties amounted to £2750; in the fifth year to £3250; in the sixth year to £3600; in the seventh year (in consequence of a strike) to £1850 only. Show Journal entries recording these transactions in the books of the Colliery.

Royalties Exercise 3.

The Consett Colliery Company took a lease of a mine for a period of twenty years, from 1st January, 1907, upon the terms of a royalty of sixpence per ton upon the output with a minimum rent of £200 per annum, and with power to recoup short workings over the first four years of the lease. The annual outputs for the five years following the granting of the lease were as follows:—1907, 5000 tons; 1908, 8000 tons; 1909, 10000 tons; 1910, 10000 tons; 1911, 12000 tons. Prepare Journal, post and complete the necessary A/cs. in the Colliery books.

Exercises numbered **135, 139, 154, 158,** further illustrate dealings with Royalties.

COST ACCOUNTS.

366. COST A/CS., which chiefly concern productive or manufacturing businesses, provide a method of ascertaining the cost of the production of an article or the result of a contract. It is necessary, for the successful working of any concern, that the proprietor should be kept constantly informed as to the cost of manufacture in all its details, so that he may fix the **Selling Price** at such figure as will produce an adequate profit. Cost Accounts have been defined as systematic, and, as far as possible, exact records of those transactions which relate to manufacturing, with the view of arriving at an approximately accurate representation of the cost, both direct and indirect, of the output of a factory or shop. Lines of organisation rather than similarity of products, provide the clearest basis for a system of Cost A/cs. It follows, therefore, that all industries or undertakings may be classified according to their lines of organisation. By this means it is possible to treat separately the special problems and requirements of each group, and to indicate the methods which are specially applicable to any particular organisation of business.

367. Cost A/cs. have been **grouped** as follows :—(1) **Departmental Costs**—For finding the cost of working each department of a factory. (2) **Multiple Costs**—Applicable to undertakings where a number of products are involved bearing little or no apparent relation to each other in cost or selling price, such as Engineering Specialities, Cycles, Hosiery, Boots, Furniture, Agricultural Implements, in which standardisation in parts is carried to a high degree of specialisation in manufacturing. (3) **Terminal** or **Contract Costs**—Applicable to undertakings where definite contracts are entered into, in which the costing is definite and terminating, such as Contractors, Engineers, Shipbuilders, and the like. (4) **Single** or **Output Costs**—Applicable to Breweries, Collieries, Quarries, Mines, and businesses in which there is a natural unit of cost, as the barrel of liquor brewed, or

the ton of minerals raised, &c. (5) **Process Costs**—Applicable to Chemical Industries, Food Products, &c., in which conversion of material takes place, and there are principal and by-products, such as Tanners, Fellmongers, where it is advisable to ascertain the cost of each stage in the process of manufacture. (6) **Operating** or **Working Costs**—As Railways, Tramways, Gas and Water Undertakings, Electricity, and similar industries.

368. It must be noted that Cost A/cs. alone deal with the **practical administration** of the factory or shop, and are therefore quite distinct from the ordinary a/cs. dealing with the purely financial affairs of the concern. Although affected by, they are independent of, the commercial records of the purchases, and, while they are closely associated with the sale prices, the record of the sales is not in any way connected with them. The principal **difference** between Cost A/cs. and Commercial A/cs. is that while the former endeavours to arrive at the net result of manufacturing by *analysis*, through the medium of a series of small Trading or P. & L. A/cs., the Commercial A/cs. aim at grouping together in the general Trading and P. & L. A/cs., the results, not of each item of work, but of each class of expenditure. It is essential in any costing system, that the Cost Books should fit in with the commercial books sufficiently to permit of comparison and the checking of results, so that a further aid in the discovery of errors is obtained. But no entry in the General Commercial Books should be posted to the Cost Ledger, and no entry in the Cost Books should be posted into the General or Commercial Books.

369. The **cost** of a piece of work refers to the total cost and consists of the outlay in (1) Material (2) Labour and (3) On-cost or Fixed Charges, all of which must be reckoned before any profit can be earned. **Prime** or **flat** or **first cost** consists of **(1) Material (2) Labour (3) Direct expenses,** or establishment or departmental charges connected with production and motive power, including (*a*) Wages of Superintendence, Foremen, Cleaners, &c.; (*b*) Royalties, Wayleaves and Patent

Fees; (*c*) Rent, Rates and Taxes and Insurance, Lighting and Heating, and Depreciation and Upkeep of Plant, and Factory Buildings. In the **Total Cost** there must be included **(4) Indirect** Charges, **overhead,** or **fixed** or **On-cost,** being Expenses of Selling, Distribution and Administration, including upkeep of Offices and Warehouse, Travellers' Salaries, Commissions and Expenses, Salaries, &c., of Directors, Officers and Managers, Interest and Financing Expenses, Bad Debt Allowance, &c. The *total* of Prime Cost and On-cost is **Total Cost,** Gross Cost or Cost of Production.

370. The **Selling Price** is therefore the product of (1) Material (2) Labour (3) Direct Expenses (4) Indirect Expenses (5) **Profit.** There are two essentially different classes of Cost A/cs. The system adopted by contractors, engineers, builders, printers, &c., is in effect to keep a separate a/c. of each contract, so that the profit or loss of that particular contract may be readily ascertained, the accuracy of the Cost A/cs. as a whole being tested periodically by a comparison of the aggregate results with the general P/L A/c. The keeping of these a/cs. of course, involves a very careful detailed analysis of every item of expenditure. This should be done in the **Cost Book** or **Cost Ledger,** which is specially ruled for the purpose, while the ordinary proprietary a/cs. of the business are kept in the Impersonal Ledger in precisely the same manner as though no Cost A/cs. were in operation.

371. In the case of **collieries, ironworks,** &c., which practically only deal in one class of goods, extended over an indefinite period, the Cost A/c. is in effect nothing more than a Trading A/c. for a very short period, either a week, fortnight, or a month; its object being to ascertain how the cost of producing a commodity dealt in compares with its market price, both items being necessarily of a fluctuating character. The methods of keeping Cost A/cs. vary, of course, with each class of business, and while these a/cs. are not very difficult in some small concerns, in others, they are of a very difficult and elaborate character; requiring great skill in

their manipulation. The principal difficulty in costing is in devising a suitable system, which, in the first place, should be fairly simple, relying on experience to indicate any improvements or extensions. It is advisable to have **printed forms** or **cards** for each department in order to ensure a systematic and reliable basis upon which to prepare the a/cs.

Brick Manufacturing Cost Sheet.

Description of Charge.	January. Cost.	January. Cost per 1000	February. Cost.	February. Cost per 1000
Labour :—	£ s. d.	s. d.	£ s. d.	s. d.
Digging Clay	30 - -	6 -	20 - -	3 9·71
Kilning	35 - -	7 -	25 - -	4 9.14
Making, Pressing, &c.	33 5 -	6 7·8	27 - -	5 1·71
Locomotive Driver	6 - -	1 2·4	6 - -	1 1·71
Carting, counting, stacking, loading, &c.	20 2 6	4 0·3	15 7 -	211·08
Materials and stores used :—				
Coal and Coke	25 - -	5 -	15 - -	210.28
Stores, &c.	10 - -	2 -	5 - -	11·42
Indirect charges :—				
Depreciation	20 - -	4 -	20 - -	3 9·71
Proportion of establishment charges	50 - -	10 -	35 - -	5 6
	229 7 6	45 10½	168 7 -	32 0·76

SUMMARY OF ABOVE SHEET.

Month.	Quantity Manufactured.	Cost of Manufacture per M.	Quantity sold.	Sales, less returns.	Average price per M. realised.	Stock.	Remarks.
1907	M.	£ s. d.	M.	£	£ s. d.	M.	
January ..	100	2 5 10½	50	120	2 8 -	50	
February	105	1 12 0·76	105	249 7 6	2 7 6	50	

Cost Sheet of Pig Iron.

Limestone		£93 15 0	375 tons	3 1
Tap Cinder	£250 6 6		527 tons	
Ore from Kilns	249 17 0		527 tons	
Manganese Ore	171 17 6	672 1 0	62½ tons	21 9
Coke		953 12 0	720 tons	30 11
Coal to Boilers		21 10 0	26 tons	8
Estimated Delivery		38 11 3		1 8
Cash Discounts on Sales		46 5 6		1 6
Stores and Repairs		145 0 0		4 10
Wages		189 6 10		6 1
Rates and Taxes		17 0 0		
Clerks' Salaries		28 0 0		2 5
Management Salaries		25 0 0		
Sundry Expenses		5 0 0		

Cost of production of Pig Iron per ton .... s. 72 6

PARTICULARS OF MAKE AND COST BOOK OF CLOTH.

PATTERN OR RANGE No. *828.* DESCRIPTION $\frac{2}{4}$ *Suiting.* OUNCES PER YARD *20.*

Shade No. of Yarn.	Counts of Warp	Counts of Weft	Set in Loom. Ends in Dent × Dents per inch × Inches Wide	Picks per Inch	Plan No.	Weight of Warp	Weight of Weft	No. of Beams	Method of Warping	Quantity
32	20 skeins back twist	20 skeins front twist	4 × 15 × 70	64	1	43	41	1	All plain	No. 1

Costings	£ s. d.	£ s. d.
43 lbs. warp at 2s.	4 6 -	
42 lbs. weft at 2s.	4 4 -	
*2½ per cent. allowance for waste	- 4 3	8 14 3
Warping	- 2 -	
Sizing	- 1 4	
Pattern Weaving	- 1 8	
Weaving	- 12 -	
Winding, drawing, tuning, etc.	- 4 2	
Mending, spiling, etc.	- 2 8	
Scouring	- 1 2	
Milling	- 1 3	
Dressing	- 1 2	
Cutting	- - 8	
Pressing	- - 6	
Dyeing (if piece-dyed)	— — —	1 8 7
Office and warehouse expenses	- 18 4	
Other expenses and charges, including rent, rates, power, etc , etc.	3 8 6	
Discount	- 8 -	4 14 10
		£14 17 8

Length finished—
52 yds. at 5s. 8$\frac{3}{4}$d., £14 17s. 11d.
The cost of piece.

* This allowance for waste is in winding, setting-up, waste in weaving, warping, etc

PRINTER'S COST SHEET.

ORDER No.—28920. Received—1/5/1912.

Name--*Huddersfield Corporation.*

Description—*12,000 Foolscap 8vo Corporation Year Books, 96 pages and cover, ¼-bound, roller basil, cloth sides with stiff boards, ruled to pattern, printed, perforated on 4 pp.*

PRINTERS.

	£	s.	d.
Composition	17	4	-
Distribution	4	-	-
Imposition	1	-	-
Reading	-	10	-
Altering	1	-	-
Revising, &c.			
Stereotyping			
Total £	23	14	-

MACHINES.

	£	s.	d.
Making ready	1	12	-
Machining	3	12	-
Washing up	-	6	-
Bronzing, &c.			
Total £	5	10	-

MATERIALS.

	£	s	d.
Paper	16	13	4
Ink	3	10	-
Boards	6	4	6
Leather	5	3	4
Cloth	8	10	-
Ends			
Gold			
Sundries	-	12	6
Total £	40	13	8

BINDERS.

	£	s.	d.
Ruling	4	10	-
Cutting	1	-	-
Paging			
Perforating, Folding, Sewing	2	2	-
Binding	2	14	-
Gumming			
Finishing	1	6	-
Sundries	1	4	-
Total £	12	16	-

SUMMARY.

	£	s.	d.
Printing	23	14	-
Machining	5	10	-
Lithography			
Binding	12	16	-
Materials	40	13	8
Sundries			
Carriage			
	82	13	8
Profit 12½% on Cost	10	6	8
Total £	93	-	4

ENGINEERING COST CARD.

Card..... *Pattern*..... *Description*..... *Class*.....
Shop Order..... *Drawing*..... *Quantity*..... *Material*.....

Date.	Operations.	Time charges. No.	Hours.	Rate.	Labour dissection. Lathe.	Drill.	Slotting.	Planing.	Wh'l Ctg.	Fitting.		Mark off.	Forge.	Labour Cost.
Received Finished Stores		*Date*												
		No.												

COMPARISON COSTS REGISTER.

Card No. 240. *Description:* Brake levers, pattern W. 853. *Class:* 40 H.P.

Factory Order. Date.	No.	Quantity.	Factory Cost. Labour.			Material.			Est. Chge.			Total.			Average Cost each.			Remarks.
1910.																		
June 22nd	680	20	-	10	4	1	13	2	-	12	3	2	15	9	-	2	9½	
November 10th	3134	20	-	10	7	1	14	-	-	13	1	2	17	8	-	2	10½	
1911.																		
March 3rd	5199	40	1	-	1½	3	7	6	1	5	-	5	12	7½	-	2	9¾	Castings insufficiently annealed

COST BOOK OF ELECTRICAL ENGINEER.

Estimate Book Folio, 15. **Contract No. 60.**—Grange Mansions. *Personal Ledger Folio*, 98.

Material.						Wages.				Indirect Charges.		
Date.	Requisition or Credit Note No.	Particulars.	Quantity.	Rate.	Amount	Date.	Particulars.	Folio.	Amount.	Departmental Charges	Distributive Charges	Total Cost.
1912					£ s. d.	1912		J.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Jan. 21	1131	$2\frac{3}{2}$ D. Cable.....	½ mile	£14	7 - -	Mar. 28	Dept. A	6	15 - -			
,, 21	1132	$2\frac{7}{2}$,, ...	½ ,,	£22	11 - -	,, 28	,, B	6	14 - -			
Feb. 10	*d*40	Fuse Cases, No. 201 ...	6	45/-	13 10 -	,, 28	Outdoor	6	150 - -			
,, 10	*d*50	Dynamo—					Dept. A, 30% on Wages...	9		4 10 -		
		1500, 30 amps.	1		35 12 6		,, B, 25% on Wages..	9		3 10 -		
,, 11	1191	$\frac{5}{8}$in. Simp. Tubing	800 ft.	60/-	2 8 -		Outdoor, 20% on Wages...	9		30 - -		
,, 11	1192	$\frac{3}{8}$in. ,, ...	500 ,,	50/-	1 5 -		10% on Shop Cost.....	9			29 6 -	
,, 11	1200	$\frac{3}{8}$in. Bends.....	3 doz.	5/-	- 15 -							
Mar. 22	1516	$1\frac{7}{8}$ D. Cable.....	220 yds.	£44	5 10 -							
					77 - 6							
Apl. 26	175	*Less* $2\frac{8}{2}$ D. Cable	110 yds.	£16	1 - -							
					76 - 6				179 - -	38 - -	29 6 -	322 6 6
										Net Profit.....		97 13 6
										Contract Price £		420 - -

INSURANCE ACCOUNTS.

372. Insurance is a **contract** by which a person, company, or society, in consideration of a gross sum or of a periodical payment, undertake to pay a larger sum on the happening of a particular event. In other words, insurance is a contract entered into to provide against, or *make sure*, against possible loss by fire, storm, accident, &c., or to undertake to pay a sum of money on the death of a person, or on his attaining a given age, in consideration of a specified amount (called the premium) being paid to the *insurer*, by the *insured*, either periodically or at once. There are four principal kinds of insurance, viz. :—Life, Fire, Marine, and Accident.

373. The **consideration** is termed the **premium** or premiums; the party entering into the undertaking, the **assurer** or **insurer**; the party for whose benefit it is entered into, the **assured** or **insured**; the happening of the event, the **risk**; and the instrument containing the contract, the **policy,** which is a stamped deed given by the insurance company, to a person who has paid the premium, as a guarantee that it takes the risk; in which deed the terms and conditions of the contract are set out in full. The interest which it is necessary for a person to have before he can effect an available insurance on his own account, and for his own benefit, is called an **insurable interest.** The Law requires the strictest good faith on the part of everyone who effects an insurance of any kind, so that the contract will be void if the insured has been guilty of **fraud,** or misrepresentation of any material circumstance, or concealment of any material fact, which lies within his private knowledge.

374. Insurance Companies are either Proprietary or Mutual. A **Proprietary Office** has a paid-up capital, upon which dividends are payable, a *part* only of the profits of the business being available for distribution among the policy-holders. A **Mutual Office,** on the other hand, has no paid-up capital, the whole of the

profits of the business being distributable among the policy-holders. A few life offices divide their business into **two sections—General** and **Temperance;** the members of the latter section consisting entirely of abstainers from alcoholic liquors. The same premiums are charged to both classes of members, but the accounts of the two sections are kept quite distinct. By reason of the lower death-rate among members of the Temperance Section, the profits distributable, in the form of bonus, are greater than those in the General Section.

375. Every office, no matter of what financial strength, has a series of **limits** beyond which it will not retain liability upon any **one risk.** The limits vary in the same office, according to the nature of the business, and in different companies with the position and importance of the company. It is the rule to retain a larger sum upon first-class or non-hazardous risks than upon hazardous; and of extra hazardous business an office will generally **re-insure** or **re-assure** as much as possible. Suppose the fixed **limit** of **risk** of a given office is £10,000 and a proposal is received for £100,000. If the business is of a character with which the office can easily deal, it is accepted, and the surplus, *i.e.*, the *difference* between the *office limit* and the total amount of the policy or risk, is insured by the company accepting the proposal, *with other companies*, at the ordinary rate, less a liberal "trade" allowance or discount. This giving off of surplus risks is what is known as re-insuring or re-assuring, and the insurances so affected are termed *re-insurances* or *re-assurances*. Premiums paid in respect of re-insurances are always accounted for separately from the ordinary premiums, and are shown separately in the annual a/c.

376. LIFE INSURANCE is generally the best and most effective form of providence. It is a cheaper and quicker way of creating an estate than ordinary saving, and is the only way of making a certain and immediate provision for those dependent upon oneself. Insurances should be effected (**1**) By husbands and fathers to make provision for themselves, widows and children. (**2**) By

the young of both sexes; because the sooner an insurance is begun the lower will be the premium and the greater the accumulated profits. (**3**) By the old; because life is then more precarious, and the benefits the more required. (**4**) By the possessors of entailed estates, to provide for the younger branches of their family. (**5**) In marriage contracts, to secure the terms of the settlement. (**6**) By **lenders** and **creditors** to compensate the loss which the death of their debtors might occasion. (**7**) By borrowers and debtors, to ensure, in case of death, a fund to pay their debts. (**8**) By holders of leases dependent upon a life or lives, to provide a fund to meet the fine, increase of rent, or loss of capital, which may ensue. (**9**) By expectants of property in reversion, to ensure it against contingency. (**10**) By purchasers of annuities on the lives of others to secure the capital laid out. (**11**) To provide for the payment of Estate Duty, so that the real and personal estate may be left untouched. (**12**) By **partners,** to provide against loss in case of a partner's death. This is very important, as the withdrawal of capital by the representatives of a deceased partner might cause serious embarrassment and even the ruin of a profitable business. A partnership insurance is in the nature of a joint insurance, or an insurance of joint lives. Upon the death of any one of the insured the sum insured is payable to the co-insured. As the premiums are paid for the benefit of all, they are generally charged to the business as part of its expenses, and the sum insured is devoted to pay out the capital of the deceased partner.

377. To those whose **incomes exceed £160** a year there is a special inducement to insure in the fact that they are entitled to an **abatement** of **income tax** in respect of the premium paid, but not exceeding one-sixth of their income. Thus, a person with an annual income of £185, paying a premium of £25 in respect of an insurance on either the life of himself or his wife, would be exempt from income tax.

378. The premium payable on acceptance of the proposal is known as the **First Premium,** subsequent

payments being known as **Renewal Premiums.** In case of the **non-payment** of the **premium** in the stipulated manner, the policy will be void, and will not be revived by a subsequent receipt of the premium. Nor will it be an available excuse that the assured received no notice reminding him of the day for paying the premium ; for such **Renewal Notice,** as it is termed, though customary, is not required by Law. Thirty days are allowed for payment of a Life Premium. In the event of a member dying during these **days of grace,** the policy is valid, but the premium will be deducted on the settlement of the claim.

379. A life policy becomes a **marketable security** after the payment of three annual premiums, carrying substantial loan and surrender values. The **Surrender Value** of a policy is that amount of money which the insurance company is willing to give to the insured if the latter surrenders or abandons his policy, and extinguishes his claim upon them. The older a policy is, or the greater the number of premiums paid upon it, the higher is the surrender value. In practice it is generally found that the *market value* of a life policy is from 15% to 20% greater than the surrender value. Some people are under a curious misapprehension as to the amount of money they may justly expect to have returned to them if they decide to abandon their policies and take surrender values. It should be remembered that the surrender value of a life policy is the balance remaining of the premiums received, and the interest thereon, *after deduction* of the cost of the risk of the insured dying, and his share of the expenses of management during the currency of the policy.

380. When a policy-holder, of three or more years standing, is in need of ready money he can always obtain a **Loan** on the security of his policy from the insurance company at from 4% to 5%, according to the amount to be advanced, there being no charge beyond the interest and the payment of the stamp duty on the promissory note securing the repayment of the loan. **Money** may also be **borrowed** from private individuals

on the security of a life policy, or the policy may be **sold** absolutely, in both of which cases it is necessary that the document embodying the contract as to the loan or sale, which is called an **Assignment,** should be properly stamped and a written **Notice** thereof (in duplicate) sent to the Head Office of the Company for registration, together with (in some cases) the statutory fee of 5/-. Business men sometimes deposit their life policies with their bankers to secure overdrafts.

381. The **Revenue Accs.** of insurance companies are generally arranged in the reverse way to that which is ordinarily accepted as the correct one. The items representing *income* appear upon the left-hand, or debit, side of the a/c., while those relating to outgo are set out upon the right-hand, or credit, side of the a/c. **Life-assurance** Companies are governed by the Life Assurance Companies Acts, 1870 to 1872, which prescribe the form of accounts to be kept, and require that a copy of the Annual Revenue A/c. and Balance Sheet shall be lodged with the Board of Trade. Note the Revenue A/cs. of the four kinds of Insurance businesses, as well as the Profit & Loss A/c. and B/S. here given.

Commercial Assurance Company Limited.

Dr. PROFIT & LOSS A/c., 1st Jan. to 31st Dec., 1903. **Cr.**

	£	s.	d.		£	s.	d.
Balance of last year's A/c.	151738	1	-	Dividend paid 6th May ..	62500	-	-
Interest and Dividends not carried to Departmental A/cs.....	45194	2	8	Interim Div. pd. 6th Nov.	37500	-	-
Amount transferred from Fire Department.....	100000	-	-	Interest on "West of England" Debenture Stock	11375	3	10
Amount transferred from Marine Department ...	40000	-	-	Interest on "Palatine" Debenture Stock	10171	11	10
Transfer Fees	56	7	6	Income Tax on Profits ...	12144	12	4
One-fifth of Shareholders Proportion of Life Profits (1898—1902) £64,444	12888	16	-	Alterations and Repairs at Head Office and Branches — Expenditure during the year ...	5918	14	4
				Investmt. Reserve Fund	15000	-	-
				Amount written off Freehold Offices	10000	-	-
				Guarantee and Pension Fund	10000	-	-
				Cost of Businesses acquired	5268	11	10
				Balance carried to next year's Account	169998	13	-
£	349877	7	2	£	349877	7	2

COMMERCIAL ASSURANCE COMPANY, LIMITED.

Dr. LIFE DEPARTMENT REVENUE ACCOUNT, from 1st January to 31st December, 1903. **Cr.**

	£ s. d.		£ s. d.
Amount of funds at the beginning of the year :—		Claims under Policies (including Bonus additions), after deduction of sums re-assured	142519 15 2
Life Assurance Fund	2592271 11 10	Endowment Assurances matured	25476 14 4
Investment Reserve Fund	10836 13 8	Surrenders	8140 13 9
	2603108 5 6	Annuities	5444 14 1
New Premiums ... ... £52619 - 2		Reduction of Premiums by Bonus	504 - 8
Renewal 267611 7 4		Commission	13766 2 10
320230 7 6		Expenses of Management	22846 19 10
Deduct Re-assurances 66388 5 4	253842 2 2	Shareholders' Proportion of Quinquennial Profits ... ... £64444 - -	
Consideration or Annuities ... ... 5057 18 -		Portion of Profits of £249867 allotted to Policy-holders taken by them in Cash 53919 8 5	
Deduct Re-assurances ... ... 636 - -			118863 8 5
	4421 18 -	Amount of Funds at the end of the year :—	
Interest and Dividends	105268 13 1	Life Assurance Fund ... ... 2619089 - 11	
Fines	225 19 11	Investment Reserve Fund ... ... 23431 12 -	
Registration Fees	121 5 -		2642520 12 11
Profit on realization of Investments	12594 18 4		
	£2979583 2 -		£2979583 2 -

Dr. ACCIDENT DEPARTMENT REVENUE ACCOUNT, from 1st January to 31st December, 1903. **Cr.**

	£ s. d.		£ s. d.
Amount of Accident Fund at the beginning of the year	38600 15 2	Losses paid and outstanding after deduction of Re-insurances	55825 3 -
Premiums after deduction of Re-insurances	117547 16 8	Commission	16735 14 9
Interest	1510 - 8	Expenses of Management	24380 8 -
		Bad Debts	25 12 3
		Amount of Accident Fund at the end of the year ...	60691 14 6
	£157658 12 6		£157658 12 6

COMMERCIAL ASSURANCE COMPANY, LIMITED.

Dr. FIRE DEPARTMENT REVENUE ACCOUNT, from 1st January to 31st December, 1903. **Cr.**

	£ s. d.		£ s. d.
Amount of Fire Fund at the beginning of the year	1538901 6 7	Losses paid and outstanding, after deduction of Re-insurances	862759 - 6
Premiums, after deduction of Re-insurances	1771819 11 11	Commission and Brokerage	279458 18 -
Interest	47789 16 10	Contributions to Fire Brigades £12482 10 7	
		State Charges :—	
		Foreign .. .. .. 29030 4 -	
		Expenses of Management 292736 - 4	
			334248 14 11
		Bad Debts	467 17 6
		Amount to Profit and Loss	100000 - -
		Amount of Fire Fund at the end of the year	1781576 4 5
	£3358510 15 4		£3358510 15 4

Dr. MARINE DEPARTMENT REVENUE ACCOUNT, from 1st January to 31st December, 1903. **Cr.**

	£ s. d.		£ s. d.
Amount of Marine Fund at the beginning of the year	438122 12 4	Losses paid and outstanding, after deduction of Re-insurances	113147 - 3
Premiums, after deduction of Re-insurances, discounts and returns	231684 - 10	Expenses of Management £39826 7 6	
Interest	14684 19 1	Subscription to Lloyd's and Register Books .. .. 660 8 -	
		Underwriters' and Managers' Commissions .. 5762 19 7	
			46249 15 1
		Amount to Profit and Loss	40000 - -
		Amount of Marine Fund at the end of the year	485094 16 11
	£684491 12 3		£684491 12 3

COMMERCIAL ASSURANCE COMPANY, LIMITED, BALANCE SHEET on 31st December, 1903.

LIABILITIES.	£	s.	d.
Shareholders' Capital :—			
Subscribed—50000 Shares of £50 each £2500000			
Paid-up..	250000	-	-
"West of England" 4% Term. Deb. Stock	298700	-	-
"Palatine" ditto	267468	-	-
Terminable Debentures issued by "Palatine" of Manchester	30000	-	-
Balance of Appropriation for payment of "Palatine" Purchase	16374	6	7
General Reserve Fund	200000	-	-
Investment Reserve Fund	26009	8	5
Guarantee and Pension Fund	60000	-	-
Shareholders' Life Profits	51555	4	-
Fire Fund	1781576	4	5
Life Account, as per separate Balance Sheet	2713094	13	6
Marine Fund	485094	16	11
Accident Fund	60691	14	6
Profit and Loss Account	169998	13	-
Leasehold Redemption and Sinking Fund	2891	2	11
Bills Payable	2437	16	7
Unclaimed Dividends and Interest	660	1	4
Perpetual Premiums and Fire Deposits	1802	10	8
Interest received in advance of due dates	6955	15	7
Amounts due to Agents and others	4097	2	3
Outstanding Losses :—Fire ... £152191 - -			
Marine ... 5731 - -			
Accident ... 15857 16 10			
Amounts due to other Companies for Re-insurances 183902 19 2			
	357682	16	-
Survey Fees	28	-	-
	£6803328	6	8

ASSETS.	£	s.	d.
Mortgages on Property within the United Kingdom	27898	14	3
Mortgages on Property out of the United Kingdom	6881	1	-
Mortgages on Rates raised under Acts of Parliament	18098	5	11
Loans upon Life Interests and Reversions	47600	-	-
Loans upon Personal Security	1172	15	8
Life Investments and Outstanding A/cs., as per separate B/S	2713094	13	6
Investments—British Government Securities ...	170000	-	-
Indian and Colonial Government Securities ...	280072	11	5
Colonial Municipal Securities	71034	9	11
Foreign Government Securities	193641	13	9
United States Securities	1063557	18	4
Railway and other Debentures and Debenture Stocks	318149	15	2
Railway and other Stocks and Shares	132458	3	6
Freehold Premises at Home and Abroad, partly occupied as Offices of the Co., and partly producing Revenue	644422	16	2
Leasehold Premises ditto ditto	20506	10	11
Branch, Agency and other Balances	389872	14	6
Amounts due by other Companies for Re-insurances and Losses	88194	-	11
Contribution of Expenses due by "West of England Life Fund"	2534	4	-
Outstanding Premiums :—Fire	16347	16	2
Marine	25880	19	-
Accident	2232	11	4
Outstanding Interest	5995	4	4
Cash—On Deposit ... ... £126402 - 6			
With Bankers and in hand 321048 9 11			
	447450	10	5
Temporary Loan to Life Department	10767	16	7
Bills Receivable	44923	2	10
Stamps in hand	609	18	1
	£6803328	6	8

United Kingdom Temperance and General Provident Institution.

Revenue A/c for the year ended 31st December, 1909.

	£	s.	d.
Amount of Funds at the beginning of the year	8,705,962	10	-
Premiums (after deduction of re-assurance premiums)	630,679	14	7
Interest and Dividends	312,857	5	-
Other Receipts :—			
Fines for Renewal of Policies	225	4	8
Fees	271	1	-
	£9,649,995	15	3

		£	s.	d.
Claims under Policies (after deduction of sums re-assured) :—				
Deaths	£373,853 17 4			
Endowments	156,651 15 -			
		530,505	12	4
Surrenders		59,549	7	9
Annuities		2,679	16	2
Commission		40,267	10	8
Expenses of Management		38,918	9	4
Dividends of Bonuses to Shareholder (no Shareholders)		Nil.		
Other Payments :—				
Cash Bonuses		1,565	9	8
Bonus Abatement of Premiums		22,089	5	11
Bonus Annuities		5,822	8	8
Cost of Act of Parliament		1,200	9	1
Written off Securities		56,809	16	1
Do. off Properties, Office Buildings, and Furniture and Fittings		43,163	19	2
Amount of Funds at the end of the year		8,847,403	10	5
		£9,649,995	15	3

UNITED KINGDOM TEMPERANCE AND GENERAL PROVIDENT INSTITUTION.

BALANCE SHEET on 31st December, 1909.

LIABILITIES.	£	s.	d.
Shareholders' Capital (no Shareholders)	Nil.		
Assurance Fund	£8847403	10	5
Other Funds	Nil.		
Total Funds	8847403	10	5
Claims intimated, but not paid	73772	3	-
Other sums owing by the Institution :—			
Commission due to Agents, and other Liabilities	13961	18	2
Due to Depositors	298	15	7
Surrender Values unclaimed	2309	8	3
	£8937745	10	5

ASSETS.	£	s.	d.
Mortgages on Property within the United Kingdom	1178941	6	8
Do. do. out of the United Kingdom	Nil.		
Loans on Reversions and Life Interests	46640	17	-
,, ,, Members' Policies	1005611	10	-
Investments :—			
In British Government Securities	18841	6	11
,, Indian Government Securities	240261	15	4
,, Foreign Government Securities	70381	4	11
,, Railway and other Debentures and Debenture Stocks	1006925	3	-
,, Railway Preference and Guaranteed Stocks	694966	16	4
,, Freehold Property	502128	13	4
,, Leasehold Property	114905	16	1
Other Investments :—			
Advances to Local Boards and Corporations and other Public Bodies on the Security of Rates	733515	-	9
Ground Rents	2468918	8	7
Indian Railway Stocks	251219	19	9
Foreign Corporation Stocks	74658	1	5
Foreign and Colonial Railway Bonds and Debentures	30975	13	5
New River Company's Securities	2374	6	4
Reversions	175174	10	7
Bank of England Stock	103541	18	5
Agents' Balances	10919	11	3
Outstanding Premiums	Nil.		
,, Interest	84336	1	5
Cash :—			
On Deposit at Bankers £80000 - -			
In hand and on Current Account 23182 17 4			
	103182	17	4
Other Assets :—			
Loans on Credit Policies	19297	14	6
Postage Stamps	26	17	1
	£8937745	10	5

DEPARTMENTAL ACCOUNTS
AND THE
TABULAR SYSTEM.

382. The mere fact that a business produces a substantial net profit is not *prima facie* evidence that it is being managed in the most skilful manner. The majority of large businesses are worked in departments, while many others carry on trade in a limited number of articles. In such concerns it is possible that a net **profit** may be shown on the **entire working,** notwithstanding that a **loss** is being sustained on one or more of the **departments** or **articles,** without the proprietors being aware of the fact. The only method which will afford adequate information of the detailed working of the business, and thus help to prevent such an unbusinesslike state of affairs, is that of keeping **separate accounts** for each **department** or **article.** With this end in view the subsidiary books should be ruled with suitable columns, so as to enable the records of the various transactions to be entered in an economical and a systematic manner.

383. The **monthly totals** of the **columns** in the subsidiary books must be posted to their respective Departmental Trading Accounts in the Impersonal Ledger. The **debits** will consist of Stock at the commencement; Credit and Cash Purchases,*less* Returns; Carriage; Wages; and such other items as may be definitely ascertainable as chargeable to the departments; the **credits** consisting of Credit and Cash Sales, *less* Returns; and the Stock at the end of the period. The **difference** will, of course, represent the Gross Profit or Loss on the particular department and will require to be transferred to the Profit & Loss A/c. on balancing. When there are few departments a **combined** Departmental Trading A/c. should be prepared, in columnar form, as shown on page 470.

384. Such Departmental Accounts **facilitate** the **comparison** of the **turnover** of different **periods,** as well as the **percentages** of **expenses** in relation to the turn-

over, thereby enabling the proprietors to discover defects in the management which would remain undetected but for the searchlight of the departmental system. The first illustration given below is a very simple one taken from Exercise 31. This is followed by another example from the W.R.C.C. Advanced Examination Paper for 1903, being Exercise No. 107. Further illustrations are afforded of **actual** and **suggested rulings** for subsidiary books of various businesses, including a copy of the Sales Book used by the author of this textbook. This particular book is a most economical one, serving, as it does, the purposes of a **Sales Book, Cash Book** and **Ledger** for cash transactions, in addition to recording the number of books sold and the cost of carriage.

Ex. 31. **Purchases Book.**

		L.F.	Total.	Tobacco.	Cigars.	Cigarettes.
1907			£ s. d.	£ s. d.	£ s. d	£ s. d.
Oct. 4	Hignett & Co. ...		157 15 10	42 10 6	96 - -	19 5 4
,, 8	Martin Bros.....		150 10 -		150 10 -	
,, 11	Ogden & Co.....		322 - -	130 - -	160 - -	32 - -
,, 18	Bell & Sons		165 4 -	33 9 4	54 6 2	27 8 6
,, 26	Wills & Co.		374 - -	130 6 -	180 4 -	63 10 -
,, 27	Martin Bros.....		123 10 -		123 10 -	
			£1292 19 10	£386 5 10	£764 10 2	£142 3 10

Sales Book.

		L.F.	Total.	Tobacco.	Cigars.	Cigarettes.
1907			£ s. d.	£ s. d.	£ s. d.	£ s. d.
Oct. 1	Edward Wade ...		86 5 10	20 6 4	50 10 -	15 9 6
,, 5	Joe Parson.....		131 4 -	30 8 -	80 6 -	20 10 -
,, 7	Albert Kershaw..		28 10 -		28 10 -	
,, 9	Thomas Elliott...		18 - -			18 - -
,, 9	Henry Hirst		131 1 6	63 8 6	46 10 -	21 3 -
,, 14	Thomas Elliott...		247 18 -	89 6 6	113 4 6	45 7 -
,, 21	Edward Wade....		130 6 10	53 16 8	48 13 10	27 16 4
22	Henry Hirst		197 5 8	68 15 -	100 3 -	28 7 8
			£970 11 10	£326 1 -	£467 17 4	£176 13 6

Dr. **Tobacco A/c.** **Cr.**

1907		£ s. d.	1907		£ s. d.
Oct. 1	To Balance...	700 - -	Oct. 30	By Cash.....	19 6 -
,, 31	,, Sundri s P/B	386 5 10	,, 31	,, Sundries S/B ...	326 1 -
,, 31	,, GROSS PROFIT	124 1 2	,, 31	,, *Bal.* (*Stock*) c/f.	865 - -
	£	1210 7 -		£	1210 7 -

Dr. **Cigars A/c.** **Cr.**

1907		£ s. d	1907		£ s. d.
Oct. 1	To Balance	510 - -	Oct. 30	By Cash	23 10 -
,, 31	,, Sundries P/B	764 10 2	,, 31	,, Sundries S/B ...	467 17 4
,, 31	,, GROSS PROFIT	144 17 2	,, 31	,, *Bal.* (*Stock*) c/f.	928 - -
	£	1419 7 4		£	1419 7 4

Dr. **Cigarettes A/c.** **Cr.**

1907		£ s. d.	1907		£ s. d.
Oct. 1	To Balance	263 - -	Oct. 30	By Cash	8 4 6
,, 31	,, Sundries P/B	142 3 10	,, 31	,, Sundries S/B ..	176 13 6
,, 31	,, GROSS PROFIT	69 14 2	,, 31	,, *Bal.* (*Stock*) c/f.	290 - -
	£	474 18 -		£	474 18 -

PROFIT & LOSS A/c. for the month ended 31st October, 1907.

Dr. **Cr.**

	£ s. d.		£ s. d.
To Bad Debts A/c	131 4 -	By Gross Profit on :—	
,, Wages A/c.....	34 - -	Tobacco.....	124 1 2
,, Depreciation A/c.....	22 - -	Cigars	144 17 2
,, Interest A/c	3 13 3	Cigarettes	69 14 2
,, Trade Expenses A/c.	36 6 9	,, Discount A/c.....	98 8 2
,, NET PROFIT :—			
R. Jackson £125 15 -			
J. Jackson 83 16 8			
	209 11 8		
£	436 15 8	£	436 15 8

Dr. **Ex. 107.** **Trading A/c., A Department.** **Cr.**

1903		£ s. d.	1903		£ s. d.
Jan. 1	To Stock.....	1423 12 8	Dec. 31	By Sales	2920 - -
Dec. 31	,, Purchases	1892 17 3	,, 31	,, STOCK	1028 15 4
,, 31	,, Wages	215 - -			
	,, GROSS PROFIT	417 5 5			
	£	3948 15 4		£	3948 15 4

Dr. **Trading A/c., B Department.** **Cr.**

1903		£ s d.	1903		£ s. d.
Jan. 1	To Stock.....	1264 17 3	Dec. 31	By Sales	6286 - -
Dec. 31	,, Purchases	4524 2 4	,, 31	,, STOCK	1340 9 5
	,, GROSS PROFIT	1837 9 10			
	£	7626 9 5		£	7626 9 5

Dr. **Trading A/c., C Department.** **Cr.**

1903		£ s. d.	1903		£ s. d.
Jan. 1	To Stock.....	2580 10 4	Dec. 31	By Sales	8492 - -
Dec. 31	,, Purchases	5431 12 8	,, 31	,, STOCK	1469 7 8
	,, GROSS PROFIT	1949 4 8			
	£	9961 7 8		£	9961 7 8

Dr. **Departmental Trading A/c.** for the year ended 31st December, 1912. **Cr.**

	Dep. A.	Dep. B.	Dep. C.	Total.		Dep. A.	Dep. B.	Dep. C.	Total.
To Stock, 1st Jan., 1912 ..	790	320	400	1510	By Sales	3075	1563	3540	8178
,, Purchases	2851	821	2021	5693	,, STOCK, 31st Dec. ..	1005	365	305	1675
,, Wages		419		419					
,, GROSS PROFIT	439	368	1424	2231					
	£4080	£1928	£3845	£9853		£4080	£1928	£3845	£9853

Dr. **Profit and Loss A/c.** for the year ended 31st December, 1912. **Cr.**

	£			£
To Carriage	128	By Gross Profit brought from Trading A/c. :—		
,, Wages and Salaries	322	Department A.	£439	
,, Rent, Rates and Insurance	123	Do. B.	368	
,, Advertising	251	Do. C.	1424	
,, Commission	142			2231
,, General Expenses	62	,, Discount on Purchases		154
,, Bank Charges	76	,, Dividends received		25
,, Discount and Allowances	167			
,, Bad Debts	121			
,, Depreciation	132			
,, NET PROFIT	886			
	£2410			£2410

Coal and Lime Merchant. Sales Book.

Date	Name	L. F.	Total	Household		Steam		Coke		Lime		Sand	
				T. C. Q.	£ s. d.	T. C. Q.	£ s. d.	T. C. Q.	£ s. d.	T. C. Q.	£ s. d.	T. C. Q.	£ s. d.

Leather Trade. Purchases Book.

Date	Name	L.F.	Total.	Hides.	Calf Skins	Kips	Pelts	Tanning Materials	Sundries.

Ladies' Outfitter. Sales Book.

Date	Name	L.F.	Total	Outfitting	Mantles	Dresses	Millinery	Furs	Linen

Gentlemen's Outfitter. Sales Book.

Date	Name	L.F.	Total	Outer-clothing	Under-clothing	Hats & Caps	Mercery & Starch	Leather Goods	Sundries

Drapery and Dressmaking. Purchases Book.

Date	Name	L.F.	Total	Drapery	Prints	Fancy	Silks	Dresses & Materials	Sundries	Boxes, &c.

Cloth Merchant. Purchases Book.

Date	Name	L.F.	Terms	Description	Yards	@	Items	Total	Woollens	Worsteds	Sundries

Tea and Coffee Merchant. Purchases Book.

Date	Name	L.F.	Total	Tea	Coffee	Chicory	Cocoa	Duty

Provision Merchant. Purchases Book.

Date	Name	L.F.	Total	Hams and Bacon	Lard	Butter	Cheese	Eggs	Tinned Goods	Sundries

Wine and Spirit Merchant. Purchases Book.

Date.	Name.	L. F.	Total.	Wines.	Wine Duty.	Spirits.	Spirit Duty.	Corks, Bottles, &c.

Wine and Spirit Merchant. Sales Book.

Date.	Wines.		Spirits,		Name.	L. F.	Total.	Private Customers.		Public or Licensed Customers.		Vaults Trade.	
	Doz.	Botts.	Gall.	Botts.				Wines.	Spirits.	Wines.	Spirits.	Wines.	Spirits.

Mineral Water Manufacturer. Purchases Book.

Date	Name	L.F.	Total	Sugar, Essences, &c.	Corks, Wire, Brushes, &c.	Coals and Water	Carriage	Repairs and Renewals of Plant	Stable Expenses	Boxes	Bottles	Sundries	

Grain, Flour, Hay and Seed Merchant. Purchases Book.

Date	Name	L. F.	Total	Wheat	Flour	Oats	Barley	Oatmeal	Bran	Pollard	Maize	Seed	Rape Dust	Hay	Straw	Tares	Cake	Sacks

Dairy Trade. Sales Book.

Date	Name	Address	L. F.	Total	Milk		Cream		Butter		Eggs		Sundries	
					Quantity	£ s. d.	Quantity	£ s. d.	Quantity	£ s. d.	Quantity	£ s. d.	Quantity	£ s. d.

Farming. Sales Book.

Date	Name	L.F.	Total	Hay & Straw	Cattle	Pigs	Dairy & Poultry	Sundries

Steam Fishing Trade. Purchases Book.

Date.	Name.	L. F.	Total.	Coals.	Ice.	Gear.	Repairs.	Stores.	Insurance.	Sundries.

Fish Merchant and Curer. Purchases Book.

Date.	Name.	L. F.	Total.	Fish.	Boxes.	Salt & Ice.	Carriage.	Curing Dept.	General Expenses.	Sundries.

Manufacturing and Retail Chemist and Druggist. Purchases Book.

Date	Name	L.F.	Total	Patents	Drugs	Factory	Groceries	Photo. and Fancy	Sundries

Motor and Cycle Dealer. Sales Book.

Date	Name	L.F.	Total	Motors	Cycles	Accessories	Oil and Petrol	Repairs	Hire

Bookseller and Stationer. Sales Book.

Date	Name	L.F.	Total	Books	Papers & Magazines	Stationery	Leather Goods	Metal Goods

Music Dealer. Sales Book.

Date	Name	L.F.	Total	Pianos	Organs	Other Instruments, etc.	Music	Tuning & Repairs	Lessons	Hire

Publisher and Bookseller. Sales Book and Ledger.

Date sent.	Name.	Complete Book-keeping. Carr.	No.	£ s d.	Element'y Book-kg.	Advanced Book-kg.	Shorthand	Business Methods.	Manusc'p Books.	Total Debit.	Total Credit.	Date Rec'd.

Printing Trade. Purchases Book.

Date.	Name.	L. F.	Total.	Paper	Ink.	Binding Materials.	Artists.	Stereos.	Stationery	Boxes & Packing	Type	Plant & Machinery

SALES BOOK for Alphabetical and Self-Balancing Ledgers.

Date.	Name.	L.F.	Total.	A to C	D to G	H to L.	M to O	P to S.	T to Z

SALES BOOK for District and Self-Balancing Ledgers.

Date.	Name.	L.F.	Total.	Bradford	Dewsbury.	Halifax	Leeds	Sheffield	Wakefield

BRANCH AND MULTIPLE SHOP ACCOUNTS.

385. BRANCH A/CS. are necessitated where a firm, having a central factory or warehouse, also carries on business at one or more shops either in the same or other towns; the trade in Groceries and Provisions, Meat, Bread, Milk, Boots and Shoes, Clothing, Drapery, Tobacco, Medicines and Drugs, being principally the subject of retail branches. Just as it is necessary to keep separate a/cs. of each *department* in a business, so is it necessary to record the transactions of each *branch*, that the result of the separate trading may be readily ascertained. While each class of business must needs adapt its books to its own particular requirements, there are, however, two principal systems in use:—(*a*) where the whole of the accounts are kept at the Head Office; (*b*) where the details are recorded in the books kept at the Branches.

386. In **retail shops,** where all the **sales** are for **cash,** it is *not* necessary to keep any a/cs. at the Branches; daily or weekly Returns of Sales being made (on forms specially provided, as shown on page 486) by the Branch Manager to the Head Office. In such cases *all* the Branch A/cs. are kept at the Head Office in a manner similar to **Departmental A/cs.,** the record of the goods sent to each Branch being made in a *columnar* **Stock Issued Book,** the weekly or monthly totals of each column being posted to the debit of the respective Branch A/cs., although in a small concern, with only one or two branches, the ordinary **Sales Book** might be used for this purpose. Where there are numerous Branches a separate book is kept for each. The Cash, which would represent the actual Branch Sales, would either be forwarded to the Head Office or paid into the bank, the amount being debited in the Head Office Cash Book, in which separate columns would be allotted for each Branch, the weekly or monthly totals being posted to the credit of the Branch A/cs. The Head Office would pay the wages and expenses of each Branch, the payments being recorded

in the Branch columns on the Cr. side of the C.B. and from there posted to the debit of the Branch A/cs. Where a Petty Cash A/c. is needed by any Branch, it should be kept on the *Imprest System*, a monthly summary being transmitted to the Head Office. The expenses of the various Branches should be recorded in an **Expenses Journal,** specially ruled to suit the purposes of the particular business, so that the records are easy to make and compare.

HEAD OFFICE. STOCK ISSUED TO BRANCHES.

Date.	Details.	Leeds.		York.		Selby.	
		Cost.	Selling.	Cost.	Selling.	Cost.	Selling.

387. Wholesale establishments and **Banks** usually keep **complete Branch Books at the Branch,** so far as the trading transactions and circulating assets are concerned, only remitting to, or receiving Cash from the Head Office, as necessity arises The **Books** of the **Branch** required for a merchant would consist of Journal, Purchases, Sales, Returns, Cash Books and Ledgers ; the Purchases and Returns Outwards Books being ruled so as to show, in a separate column, those goods received from and returned to the Head Office. *The Opening Entries in the* **Branch Books** would generally consist of Cash (enter in C.B.), Stock (enter in Trading A/c.) and Sundry Debtors (enter in separate Personal A/cs.) ; the *total* of these three a/cs. being *credited* to the **Head Office Adjustment A/c.,** which takes the place of the usual Capital A/c. The liabilities to Sundry Creditors would be *debited* to the Head Office A/c. and posted to the credit of the separate Personal A/cs. The monthly *totals* of the Head Office columns in the Purchases and Sales Books, &c., should be posted to the "*Head Office A/c.*" in each Branch Ledger. On *re-opening the Branch Ledger, after the periodical balancing*, the balances of the various a/cs. are brought down in the usual manner.

388. It is advisable that the **Cash Receipts** of each Branch should be paid direct into the Bank, a weekly statement being rendered to the Head Office from which a special columnar C.B. should be compiled, showing the receipts in respect of each Branch, the *monthly totals* only being debited in the ordinary Cash Book at the Head Office, thus: "July 31, To York Branch £200," which would be posted to the **Branch Adjustment** or **Current A/c.** in the Head Office Ledger. A similar columnar book would be needed for recording the remittances by the Head Office to the Branches, the entries and postings being reversed.

389. The a/cs. recording the **Capital** and all the **fixed Assets,** such as Business Premises, Plant and Machinery, Furniture and Fittings, Goodwill, &c., would be kept in the Head Office Ledger only; also the totals of the Debtors, Creditors and Stock, the amounts of which three a/cs. would either be absolutely extinguished or materially reduced by the transfers to the respective Branch Adjustment A/cs. in the Head Office Ledger. When there are such *fixed assets* as "Furniture & Fittings" at each Branch, a separate a/c. must be opened in the *Head Office Ledger* for each Branch, so that the depreciations and additions may be clearly shown. On depreciating an asset in the *Head Office Books*, the Journal entry would be: "Branch A/c. Dr. To Asset A/c.," while in the *Branch Books* the Journal record would be: "Depreciation A/c. Dr. To Head Office A/c."

390. The **Branch Cash Book** *total* Receipts should be debited and *total* Payments credited to Head Office A/c. when all cash is passed through the bank. As the C.B. merely contains a record of sums paid to or received from the Head Office, it does not need balancing.

391. In **transferring goods** from one *Branch to another* it is advisable to record the transfer in all three sets of books, and thus avoid the necessity of the Branches keeping a/cs. with each other. Suppose that the York Branch transfers goods to Selby, the entry in the *Head Office Books* would be "Selby Branch Dr. To York Branch"; in the *York Branch Books* enter: "Head Office A/c. Dr. To Purchases A/c."; and in the *Selby Branch Books* enter: "Purchases A/c. Dr. To Head Office A/c."

WEEKLY CASH SHEET.

.....**Branch.**

Statement for week ending.....**19**....

Date	Receipts.	£	s.	d.	Date	Payments.	£	s.	d.
	Monday					By Bank			
	Tuesday					,, ,, ...			
	Wednesday					,, ,, ...			
	Thursday					,, ,, ...			
	Friday.....					,, ,, ...			
	Saturday					,, ,, ...			
	Total for week £					*Total Bank £*			
						By Wages as list			
						,, Commission			
						,, Petty Cash as below			
						,, Goods Purchased as below.....			
						,, Advertising and Bill Distributors			
	£					£			

Goods Purchased.
(Including refunds to Customers.)

Date	Particulars.	£	s.	d.
	Total £			

Petty Cash Expenses.

Date	Particulars.	£	s.	d.
	Total £			

Change kept at Branch £_____ *Manager's Signature*,.....

SPECIMEN STOCK A/c. Wakefield Branch.

Weekly Stock Summary.	Date.	Clothing.	Boots.	Hats.	Total.
	1911	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Amount of Stock on Mouday	Jan. 2	1051 1 2	752 2 10	304 3 4	2107 7 4
Add Goods received during week		70 5 -	62 7 4	23 2 -	155 14 4
		1121 6 2	814 10 2	327 5 4	2263 1 8
Deduct Returns and Transfers ...		3 17 5			3 17 5
		1117 8 9	814 10 2	327 5 4	2259 4 3
Deduct Sales for week		68 16 11	56 18 -	27 19 -	153 13 11
Amount of Stock on Saturday.....	Jan. 7	£1048 11 10	£757 12 2	£299 6 4	£2105 10 4

	Total Sales for week
	£ s. d.
Clothing	68 16 11
Boots	56 18 -
Hats.....	27 19 -
Total for week..	£153 13 11

I acknowledge having received for your account the amount of Goods stated above, and certify that the Stock now upon the premises, as per my books, amounts to *Two Thousand One Hundred and Five* Pounds, *Ten* Shillings, and *Four* Pence, at Selling Prices, as stated above.

Date. *7th January, 1911.*

RICHARD ROBINS, *Manager.*

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Wakefield Branch. ASSISTANTS' WEEKLY AVERAGES. *Week ending.....19* .

Name of Assistant	Number of Checks used.						Total for Week.	Cash taken.			Average per Customer.	Salary of Assistant.	Percentage of Salary to Sales.	Remarks.
	M.	T.	W.	Th.	F.	S.		£	s.	d.				

392. In **balancing,** each Branch prepares it own T.B., Trading, P. & L. A/cs. and B/S., transferring the profit shown to the *credit* of the Head Office Adjustment or Current A/c. ; the balance of the latter appearing in the Branch B/S., as a liability and thus representing the Capital of the Branch. In the *Head Office Books* the amount representing the profit of each Branch should be *debited* to the Branch Adjustment or Current A/c. and *credited* to a summarised P. & L. A/c.

Example 1.

Trial Balance, 31st December, 1912.

	Head Office.		York Branch.	
	Dr.	Cr.	Dr.	Cr
	£	£	£	
Capital		5000		
Premises	2500			
Fixtures	250		100	
Cash	900		50	
Stock	2000		800	
Goods sent to Branch	966			966
Cash sent to Head Office		1250	1250	
Branch A/c	1300			1300
P. & L. A/c. Profit		1409		529
Sundry Debtors	2100		1695	
Sundry Creditors		2857		1100
	£10016	£10016	£3895	£3895

York Current or **Branch A/c.** in **Head Office Ledger.**

Dr. **Cr.**

1912		£	1912		£
July 1	To Sundry Debtors	1500	July 1	By Sundry Creditors	1330
,, 1	,, Fixtures	105	,, 1 to Dec. 31	,, Cash paid into Bank by Branch	1250
,, 1	,, Stock of Goods	700	,, 31	,, Returns	45
,, 1	,, Cash in hand	20	,, 31	,, *Balance c/f*	1300
,, 1 to Dec. 31	,, Goods received from Head Office	966			
,, 31	,, General Expenses	100			
,, 31	,, Depreciation	5			
,, 31	,, *Transfer to P. & L. A/c*	529			
		£3925			£3925

The **Head Office A/c.** in the **Branch Ledger** would simply be the reverse of the above A/c.

Trading and **Profit & Loss A/c.** for the half-year ended 31st December, 1912.

Dr. **Cr.**

	Head Office.	York Branch	Total.		Head Office.	York Branch	Total.
	£	£	£		£	£	£
To Stock	1800	700	2500	By Sales	5049	1500	6549
,, Purchases	3415	966	4381	,, STOCK..	2000	800	2800
,, General Expenses	415	100	515				
,, Depreciation	10	5	15				
,, NET PROFIT..	1409	529	1938				
	£7049	£2300	£9349		£7049	£2300	£9349

Balance Sheet on 31st December, 1912.

Liabilities.		£	**Assets.**		£
SUNDRY CREDITORS :—			Cash :—		
Head Office.....	£2357		Head Office.....	£900	
York Branch..	1100	3457	York Branch	50	950
CAPITAL, 1st July, 1912	£5000		Sundry Debtors ;—		
Add Net Profit	1938	6938	Head Office.....	£2100	
			York Branch.....	1695	3795
			Stock :—		
			Head Office...	£2000	
			York Branch	800	2800
			Premises		2500
			Fixtures :—		
			Head Office	£260	
			Less Depreciation..	10	250
			York Branch	105	
			Less Depreciation..	5	100 350
	£	10395		£	10395

Example 2.—Hepworth & Co. of Bradford send to their Branches at Leeds and Hull, goods at selling price. Except the Sales Ledgers, the whole of the A/cs. are kept at the Head Office at Bradford. From the following particulars prepare the Branch A/cs. in the Head Office books.

	Leeds Branch	Hull Branch
Cash in hand	£36	£20
Stock at selling price, 1st July, 1912.....	4000	2800
Sundry Debtors, 1st July, 1912	1500	1080
Goods received from Head Office	30000	20000
Returns to Head Office	400	240
Goods sold on credit.....	19640	12780
Goods sold for Cash.....	10300	6642

Payments by Sundry Debtors	19230	12384
Allowed to Sundry Debtors for Discount ..	320	214
Trade Expenses.....	230	152
Wages & Salaries	1240	980
Rent, Rates & Insurance.....	650	380
Bad Debts	210	82
Difference between Cost and Selling Price..	236	152

Head Office figures as follows:—Stock, 1st July, 1912, at cost, £15200; Stock, 31st December, 1912, £13800; Cash in hand, £44; Cash at Bank, £3280; Purchases, £27242; Capital A/c., £19604; Wages & Salaries, £2040; Rent, Rates & Insurance, £698; Trade Expenses, £840; Discount received, £528; Sundry Creditors, £4864; Freehold Premises, £10400; Fittings & Fixtures, £6240; Depreciation, £1300.

Dr. **Sundry Debtors.** **Cr.**

	Leeds Branch	Hull Branch		Leeds Branch	Hull Branch
To Balance .....b/f	£1500	£1080	By Cash	£19230	£12384
,, Sales on Credit	19640	12780	,, Discount.....	320	214
			,, Bad Debts	210	82
			,, *Balance* .....*c/f*	1380	1180
	£21140	£13860		£21140	£13860

Expenses Journal.

	Wages & Salaries	Trade Expenses	Rent, Rates & Insurance	Discount	Bad Debts	Depreciation
Head Office	£2040	£840	£698			£1300
Leeds	1240	230	650	£320	£210	
Hull	980	152	380	214	82	
	£4260	£1222	£1728	£534	£292	£1300

Branch A/c.

Dr. for the half-year ended 31st December, 1912. **Cr.**

	Leeds Branch.	Hull Branch.		Leeds Branch.	Hull Branch.
	£	£		£	£
To Stock	4000	2800	By Sales on Credit	19640	12780
,, Goods.....	30000	20000	,, Sales for Cash	10300	6642
			,, Returns	400	240
			,, Difference between Cost & Selling Price	236	152
			,, STOCK	3424	2986
	£34000	£22800		£34000	£22800

Trading & Profit & Loss A/c.

Dr. for the half-year ended 31st December, 1912. **Cr.**

To Stock	£15200	By Sales—	
,, Purchases	27242	Leeds Branch £29940	
,, GROSS PROFIT c/d.	20720	Hull Branch 19422	£49362
	£63162	,, STOCK	13800
			£63162
To Wages & Salaries	£4260	By Gross Profit b/d	£20720
,, Rent, Rates & Insurance	1728	,, Discount received	528
,, Trade Expenses	1222		
,, Discount allowed	534		
,, Bad Debts	292		
,, Depreciation	1300		
,, NET PROFIT	11912		
	£21248		£21248

BALANCE SHEET on 31st December, 1912.

Liabilities.	£	**Assets.**		£
Sundry Creditors	4864	Cash in hand :—		
CAPITAL A/c., 1st July, 1912 ..... £19604		Head Office £44		
Add Net Profit for half-year 11912	31516	Leeds Branch 36		
		Hull Branch 20	£100	
		Cash at Bank	3280	3380
		Sundry Debtors :—		
		Leeds Branch	1380	
		Hull Branch	1180	2560
		Stock		13800
		Freehold Premises		10400
		Fittings & Fixtures		6240
	£36380			£36380

Example 3.—The Head Office of Taylor & Co. of Sheffield, send to their two local branches, goods at cost price, the cash received being paid to the Head Office daily. Prepare Profit & Loss A/cs. for the two Branches for the half-year ended 30th June, 1913, from the following particulars.

	Albert Road.	Petre Street.
Stock, 1st January 1913	£760	£645
Goods received from Head Office, less Returns	5340	4235
Stock, 30th June, 1913	630	870
Cash paid to Head Office	7300	6550
Rent, Rates and Insurance	260	210
Wages and Expenses	440	325
Sundry Debtors, 1st January, 1913	100	85
Sundry Debtors, 30th June, 1913	95	80

Albert Road Branch Profit & Loss A/c.

Dr. for the half-year ended 30th June, 1913. **Cr.**

1913		£	£	1913		£	£
Jan. 1	To Stock..... £760			June 30	By Cash		7300
,, 1	,, Sundry Debtors 100	860		,, 30	,, *Stock c/d* £630		
				,, 30	,, *Sundry Debtors c/d* 95	725	
June 30	,, Goods from H. O.	5340					
,, 30	,, Rent, Rates and Insurance	260					
,, 30	,, Wages and Expenses.....	440					
,, 30	,, NET PROFIT.....	1125					
		£ 8025					£ 8025
1913							
July 1	To Stock b/d..... £630						
,, 1	,, Sundry Debtors b/d. 95	725					

Petre Street Branch Profit & Loss A/c.

Dr. for the half-year ended 30th June, 1913. **Cr.**

1913		£	£	1913		£	£
Jan. 1	To Stock..... £645			June 30	By Cash.....		6550
,, 1	,, Sundry Debtors 85	730		,, 30	,, *Stock c/d* £870		
				,, 30	,, *Sundry Debtors c/d* 80	950	
June 30	,, Goods from H. O.	4235					
,, 30	,, Rent, Rates and Insurance	210					
,, 30	,, Wages and Expenses	325					
,, 30	,, NET PROFIT.....	2000					
		£ 7500					£ 7500
1913							
July 1	To Stock b/d..... £870						
,, 1	,, Sundry Debtors b/d 80	950					

This is the only Work on Book-keeping in the English Language to which there is a

FULL KEY.

The first edition of the Key to Part 2 of this book was sold out within a few months of its publication, copies afterwards changing hands at a premium of 200%

BRANCH EXERCISE, 1. (*Departmental Method*).

John Woollen and Alfred Worsted were in partnership as wholesale clothiers, and also had retail shops at Pudsey and Bradford. Separate a/cs. of the factory and branches must be kept. On 1st Jan., 1904, the following balances were standing in their books :— Cash £71 18 4 ; Bank overdrawn, £231 17 6. Plant and Machinery at factory, £2000 ; Fittings, &c., at factory, £700 ; Bradford, £80 ; Pudsey, £40. The factory owed A. Archer £500, and Sundry Persons £300 - 10 for goods supplied. There was owing for goods supplied by the factory to sundry persons £800. Stocks on hand :—Factory £900, Bradford £280, Pudsey £160. Capital owned in the following proportions :—J. Woollen two-thirds and A. Worsted one-third. Open books, post, raise Trading A/cs., P. & L. A/cs., and B/S.

Jan., 1904.		£	s.	d.
2	Goods forwarded from factory to (B) £84 ; to (P) ..	50	-	-
7	Sent from factory to sundry persons on a/c. of (B) ..	12	-	-
11	Goods returned from (B) and forwarded to (P).....	25	17	-
	Carr. paid by (B) chargeable $\frac{1}{2}$ to factory and $\frac{1}{2}$ to (P)	1	7	-
12	Received from sundry persons. Cheques £126 2 6, P.O.'s £25 17 6, Dis. allowed £8 1 -	160	1	-
	Paid into Bank	150	-	-
13	Paid sundry persons—By cheques, £29 15 -, by P.O.'s £7 5 -, Discount £1 19 -	38	19	-
14	Goods bought from A. Archer (factory)	220	-	-
	Paid A. Archer cheque £292 10 -, discount	7	10	-
	Drew £140 from Bank and paid wages at factory....	129	18	10
16	Bought goods from C. Coates, value £35, which were forwarded direct to branches and invoiced to them as follows : (B) £29 10 - ; (P) £10 10 - ..	40	-	-
19	Received note from (B) for goods returned to C. Coates amounting at factory invoice price to £9 19 - (the cost price being £8 15 -) carriage paid on same by (B) £1 0 6, chargeable to Coates			
	Forwarded goods to branches from factory (B) £184 17 4, (P) £65 19 10	250	17	2
20	Sold sundry persons from factory, goods	317	15	4
22	Goods supplied from (B) to sundry persons on a/c. of factory	27	10	8
28	Drew £100 from Bank and paid factory wages	131	19	3
30	Received statement of cash sales from branches : (B) £360 3 2, (P) £264 19 - from which the following payments must be deducted for salaries, rents, &c. (B) £27 10 -, (P) £19 17 6	47	7	6
	Received balances of cash. Paid into Bank.....	580	-	-
	Received carriage a/c. for month (payable on Feb. 6th) two-fifths chargeable to factory, two-fifths to (B), one-fifth to (P)	25	15	-
	Interest on Capital at 5% to be allowed.			

Stocks at factory, £950 ; *B.* £310 ; *P.* £140. [*Ans. next page*]

Answer.—*Profit:* *Factory*, £275 10 11; *Bradford*, £119 14 -; *Pudsey*, £66 18 2; *Net*, £446 17 9; *Cap.*: *J.W.*, £2975 14 1; *A.W.*, £1487 17 -; *Total of B/S.*, £5259 14 11.

BRANCH EXERCISE, 2. (*Separate Books at Branch.*)

A Leeds firm have a branch at Halifax, the following being the opening balances of the branch. Enter these and the transactions in the Branch Books which complete; cheques being drawn by the branch on the Head Office Bank A/c. when making payments. 1st Jan., 1906.

Sundry Creditors :—		Stock in hand	£150
Walter Smith	£20	Sundry Debtors :—	
B. Addy	10	Thomas Jones	£10
Tom Field	5	Herbert Ford	15
Ernest Williams	10	John Hill	20
	45	William Teal	15
Head Office A/c.	165		60

Jan. 2.	Received Goods from Tom Field	£30
	Sold Thomas Jones, Goods	10
,, 6.	Received Cash from Thomas Jones	10
,, 8.	Sent Cheque to Tom Field	20
,, 20.	Sold Goods to William Teal	37
,, 20.	Sold Goods to Ernest Williams	5
,, 20.	Sent Cheque to Walter Smith	15
,, 29.	Received Cash from William Teal	37
,, 29.	Received Cash from Ernest Williams	5
,, 31.	*Stock in hand*, £145.	

Answer.—*Branch Profit*, £17; *H.O. Bal.* £165; *Total B/S.* £205.

BRANCH EXERCISE, 3.

A South Wales Provision Merchant has several branches which are supplied from the Head Office. Each branch has its own Sales Ledger, and hands over the total amount of cash received to the Head Office every day. In the invoices for the goods supplied by the Head Office to the branches, 25% is added to the cost. All expenses are paid from the Head Office. From the following transactions of the Branches raise the Ledger A/c. in the Head Office Books, and prepare an a/c. showing gross profit:—

	Cardiff.	Newport.	Bridgend.
Goods received from Head Office	£5500	£4500	£3500
Total Sales	5200	4300	3100
Cash Sales	2750	2250	1650
Cash Received on Ledger Accounts	2250	1850	1250
Debtors at commencement	1555	1665	1350
Debtors at close	1755	1865	1550
Stock at commencement	750	650	450
Stock at close	1060	960	760

Answer.—*Profit Cardiff* £1048; *Newport* £948; *Bridgend* £548.

Exercise 101 (*W.R.C.C. Advanced, 1897.*)

1. After writing up the Trading A/c. of the West Riding Engineering Co., on 31st Mar., 1897, these balances stood in the books. **Dr. Balances:**—Debtors £2800; B/R. £2200; Plant, Machinery and Tools £3000; Office Furniture £100; Horses and Conveyances £500; Bank £850; Cash £90; Leasehold Premises £2880; Interest £60; Stock £4020. **Cr. Balances:**—Creditors £1200; B/P. £2060; Trading & P/L. £1080; Provision for Discounts and Loss on Debts £240; Provision for Outstanding Liabilities £120; Joseph Picker's Cap. £5000; Wm. Bean's Cap. £6800; Complete the P/L. A/c. and prepare B/S., crediting to each Partner one year's int. at 5% on his cap., and a half-share in the net profit.

Answer.—*Net Profit* £430; *Capital J.P.* £5465; *W.B.* £7355.

2. John Nightingale, East Street, Sheffield, sells to the Low Moor Iron Co., on 4th Mar., 1897, 40 tons of Scotch Iron at 45s. per ton; 10th Mar., 100 tons of Swedish Iron at 44s. per ton; 19th Mar., 80 tons of Hematite Iron at 42s. per ton; and receives 30th Mar., £200 on a/c., and on 2nd Apr., a B/E. at three mos. for £250.

(*a*) Make out an Invoice of the first transaction.
(*b*) A Statement of Account on 27th July, 1897. (*Bal.* £28).
(*c*) Draw the B/E. mentioned above, make it payable in Leeds, and write upon it an acceptance for payment at the Leeds Joint Stock Bank, Ltd.
(*d*) Note at the left hand side the amount of Stamp Duty.
(*e*) Also rule a form of John Nightingale's Bill Book, and enter in it the particulars of this Bill.

3. (*a*) What entries would appear in the Low Moor Iron Co.'s books in respect of the B/E. mentioned in the foregoing question? (*b*) Make a copy of John Nightingale's A/c. as shown in the Co.'s Ledger, on 27th July, 1897.

4. What would be the effect on the A/c. of a business of the following errors in Book-keeping:—(*a*) A sale of goods of the value of £25 posted to the debit of charges a/c., instead of to the debit of the personal a/c. of the purchaser. (*b*) A sum of £40, paid for rent of premises posted wrongly to the debit of a personal a/c. (*c*) A payment of £200 10s. entered in the C.B. as £220.

5. What are Cost A/cs.? State shortly how they are prepared. Give an example,

6. Journalise the following Waste Book entries:—(*a*) I pay cash £400 for John Wilson's Draft on Leeds Joint Stock Bank, Ltd., and remit it to the Bradford Old Bank, Ltd., to cover my Bill payable now due at the latter Bank. (*b*) On opening my books, I have an outstanding consignment of goods to Bombay of the value of £800. (*c*) John Smith, my porter, having been injured has sued me for damages and obtained a verdict for £25, which I settle by cheque. (*d*) My clerk has lost a ten-pound Bank-note which I deduct by instalments from his salary.

7. What is a Sinking Fund and Reserve Fund? Illustrate.

Exercise 102 (*W.R.C.C. Advanced, 1898*).

1. Hy. Bennett, Chas. Mellor, and Ed. Bradbury are in partnership as Wholesale and Export Clothiers. Their Cap. on 1st Jan., 1897, was £12000, divided as follows :—H. Bennett, one-fifth ; C. Mellor, two-fifths ; and E. Bradbury, the remainder. On 31st Dec., 1897, the following Balances stood in the books :—**Dr. Balances :**—Freehold Buildings £6406 ; Plant and Machy. £1395 5 7 ; Stock £3928 16 6 ; Debtors £4127 5 6 ; B/R. £1459 18 6 ; Bank £2763 9 7 ; Cash £135 15 8 ; Bennett's Withdrawals £311 1 9 ; Mellor's Withdrawals £240 ; Bradbury's Withdrawals £400. **Cr. Balances :**—Mortgage £4500 ; Crs. £2240 2 5 ; B/P. £2427 10 8. Prepare B/S. ; also Bennett's, Mellor's and Bradbury's Cap. A/cs.

Answer.—*Cap. H. B.*, £2088 18 3 ; *C. M.*, £4560 ; *E. B.*, £4400.

2. Make out Trading and P/L. A/cs. of the Flyaway Bicycle Co. from :—1st Jan., 1897, Stock of Finished Machines £9600 ; Raw Materials £2500 ; 31st Dec., Materials purchased during year £12500 , Productive Wages paid £16500 ; Manufacturing Exs. £4600 ; Sundry Branch Exs £8000 ; Travellers' Salaries £3000 ; Agents' Commission £1800 ; Bad Debts £1650 ; Depreciation of Machy. and Plant £1250. During the year 10000 Machines were sold, realising in the aggregate £105000. On the 31st Dec. the cost price value of the raw *materials on hand* was £2200 ; and the *Stock* of 460 Finished Machines £3680.

Answer.—*Gross Profit*, £65180 ; *Net*, £49480.

3. Darlow & Walsh are the acceptors of a bill at 4 months date for £659 14 8, due on the 24th January, 1898. A few days before it matured D. & W. found they could not meet it and wrote to the drawers, Messrs. Earle & Creasey, requesting them to renew the bill for 3 mos., adding int. at 5% per ann. The drawers (Earle & Creasey) expressed their willingness to do so conditionally upon Darlow & Walsh lodging security with them for the amount of the Renewed Bill. D. & W. offered as security 5 customer's bills viz. :—

1. H. G. Bourner & Co.'s bill £209 11 6, due 14th February.
2. Neville & Co.'s bill £173 4 9, due 26th February.
3. James Hordarn & Co.'s bill £89 14 8, due 25th March.
4. George Blakey & Co.'s bill £82 16 -, due 19th April.
5. Smith, Wilks & Co.'s bill £112 12 9, due 26th April.

Each of the above five bills was discounted by Earle & Creasey's bankers, and Darlow & Walsh's Renewed Bill was paid into the bank one month after its acceptance. Bills 1, 2, and 4 were duly honoured. Bill 3 was dishonoured and returned to Earle & Creasey, who drew a cheque for its amount, plus 7/6 noting expenses. Darlow & Walsh on being called upon, made good this amount ten days later. Bill 5 reached maturity the same day as Darlow & Walsh's renewed Bill, and both were dishonoured.

(*a*) Draw the Renewed Bill, adding £1 8 11 for stamp and other expenses, also 5% int. for the term of the bill's currency. (*b*) Show Earle and Creasey's Journal entries. (*c*) Show Darlow & Walsh's A/c. as it appears in Earle & Creasey's Ledger.

4. What is meant by *Depreciation*? How does it apply to Goodwill, Machinery and Stock? **5.** When taking Stock how would you value goods the price of which fluctuates frequently?

Exercise 103. (*W.R C.C. Advanced, 1899.*)

1. Messrs. Lux & Lucifer, Birmingham, consign on 1st Feb., 1899, to M. Marconi, of Milan, 500 "Radiant" Electric Lamps invoiced at 18s. each, and pay freight £5 18 6 and insurance £2 15. 125 lamps are damaged and rendered worthless by storm, and M. Marconi receives £72 in settlement from Underwriters. He sells 250 lamps for £240, and on 4th Apr. sends A/S. and Bankers' Draft for bal. due to the Consignors, after charging his agency exps. £5 10 and comm. £15 12. Give the a/cs. as they would appear in Lux & Lucifer's ledger.

2. The Blarneystone Diamond Syndicate, Ltd., has a nominal cap. of £80000, divided into 10000 £4 8% Pref. Shares and 40000 £1 Ordy. Shares. On 2nd Jan., 1899, 8000 Pref. and 20000 Ordy. Shares are applied for, and 5/- per share is recd. and paid into the Company's bank. On 1st Feb. these shares are allotted; 10/- per Share being payable on allotment, £3500 is recd. for Pref. and £8000 for Ordy. during Feb. On 1st Mar. Calls are made, viz., £2 per Share Pref. and 5/- per Share Ordy., and during Mar. £13000 is recd. for Pref. Call and £3200 for Ordy. Call. Journalise the foregoing transactions, post to ledger, and state amounts unpaid on each class of Share. **Answer.**—*Ordy.* £3800; *Pref.* £3500.

3. On 1st Jan., 1880, machinery is purchased for £3000. Depreciation at the rate of 7½% per ann. upon the original cost is written off during the next four years. Then £400 is added to the machinery A/c. for expenditure upon improvements, and for the next three years 10% is written off upon the diminishing balance of the A/c. The machinery is then sold for £1200. Give Ledger A/c. showing the net loss. **Answer.**—£622 10s.

4. A merchant has in stock at 21st Dec. a quantity of goods purchased in Sept. for £1200 He could not buy these in Dec. for less than £1400. Give your opinion as to the value he should place upon these goods in taking stock 31st Dec., and state the considerations upon which that opinion is based.

5. Explain the meaning of 6% Cumulative Preference Share; 4½% First Mortgage Debenture; Bank Commission; Register of Members; Trade Discount.

6. Below is the T.B. of the Cyclops Machinery Co., Ltd., at 31st Dec., 1898, on which date the **Stock** is £11486 15 9. Make the following provisions:—2½% Dis. upon Sundry Debtors' Balances; £486 estimated further loss for Bad Debts; 5% Depreciation upon Plant; 10% Depreciation upon Patterns; 20% Depreciation upon Patents and Trade Marks. Set aside 5% of Net Profit to a Workpeople's Insurance Fund A/c. Prepare Trading, P. & L. A/cs. and B/S. showing proposed Appropriation of Net Profit.

Dr. Balances—				**Dr. Balances** continued—			
Stock, 1st January	£13294	6	9	Plant & Machinery	£18090	16	4
Discounts	1291	13	4	Cash	417	1	1
Carriage.....	1129	3	6	Goodwill	5000	-	-
Patterns	7623	14	6	Material Purchased.....	24637	11	9
Rates, Taxes, Gas, &c...	1121	2	3				
Patents, Trade Marks, &c.	3260	-	-	**Cr. Balances**—			
Advertising	324	11	9	2000 Ord. Shares £10 ea...	20000	-	-
Debtors	4691	13	11	2000 6% Pref. Sh. £10 ea.	20000	-	-
Freehold Land & Bldgs..	24320	-	-	5% Debentures	10000	-	-
Wages	26081	2	5	National Bank, Ltd.	15746	9	8
Agency Exs. & Comm. ..	259	13	4	Creditors.....	3658	11	2
Trade Expenses	963	4	7	Sales	64290	14	1
Debenture Interest.....	500	-	-	Rents	246	11	1
Repairs	1192	14	7	Revenue A/c. Bal., 1st Jan.	659	13	2
Bad Debts.....	896	11	2	Discounts	493	2	1

Answer.—*Gross Profit* £10635 5 5; *Net* £1915 6 7; Pref. Div. £1200; Ordy. Div. A/c. £1279 4 9; *Total of B/S.* £71980 0 7.

Exercise 104 (*W.R.C.C. Advanced, 1900*).

1. The Khaki Manufacturing Co., Ltd., commenced business 1st Jan., 1900. On 30th June the T.B. stands as given below.

Include Res. for Dis. on Debtor's balances £200, and for Bad Debts £100. The following sums are owing:—Rates £50; Commission £100. Charge Depreciation at the following rates per ann.:—Engine and Boiler 10%; Machy., &c., 7½%; Cards, Bobbins, &c., 40%; Office Furniture 5%; Electric Light Installation 20%. Prepare Trading, P/L. A/cs. and B/S., providing the Pref. Div., £10 per share Ord. Div. and £250 to General Reserve Fund A/c.

Dr. Balances—				**Dr. Balances** continued—			
Plant, Machinery & Fixtures..	£3140	-	-	Bankers	£789	-	-
Bad Debts	120	-	-	Carriage	350	-	-
Wages	7304	-	-	Rates & Insurance	130	-	-
Advertising	95	-	-	Commission	400	-	-
Cash.....	35	-	-	Fuel	420	-	-
Debenture Interest paid.....	112	10	-	Returns Inwards	200	-	-
Engine & Boiler	900	-	-	Stationery & Postage.....	86	-	-
Materials consumed	18500	-	-	Land & Buildings	5700	-	-
Stock Materials 30th June..	1450	-	-				
Sundry Debtors	6256	5	-	**Cr. Balances**—			
Electric Light Installation ..	250	-	-	4½ First Mort. Deb. Stock ..	5000	-	-
Trade Exs.....	260	-	-	1000 6% Pref. Shares £5 ea..	5000	-	-
Cards, Bobbins, Gears, &c. ..	650	-	-	100 Ordy. Shares £50 ea. ..	5000	-	-
Office Furniture	100	-	-	Sales	31028	15	-
Repairs	250	-	-	Discount Received	520	-	-
Discount allowed	820	-	-	Cottage Rents received.....	39	-	-
Travellers & Office Salaries ..	420	-	-	Sundry Creditors	2100	-	-

Answer.—*Gross Profit* £4674 15; *Net* £1400; *Total B/S.* £18650.

2. How can the Ledger of a large business be conveniently divided and sub-divided? How would you deal with the multiplicity of small single transactions with various customers who as a rule pay cash within ten days of the date of the sale?

3. A Trader discharges his liabilities monthly by means of 14 days Bank Drafts. Explain how this is done, and state what advantages the system offers.

4. Goods are purchased on 17th Apr., dated forward as July; the buyer makes up his books on 30th June. How should this item be dealt with in the Bought Day Book, Ledger and B/S.?

5. In Smith's Ledger the following items appear at debit of Jones' A/c. :—Jan. 2nd. To Goods £10 15 -. Feb. 16th. To Goods £7 10 -. On 31st Mar., Smith sends to Jones a Statement for £18 5 -. Jones writes that he paid Smith's traveller £10 - - on 1st Feb., and was allowed 15/- and that he has not recd. the Feb. 16th Goods £7 10 -. How should Smith act under these circumstances, and how can he prevent the recurrence of such difficulties?

6. A Merchant has on deposit with his Bankers £20000 at 3%, he receives a 4 mos. bill £1000 from a customer. The Bank rate being 4%, state the effect of (*a*) discounting (*b* non-discounting.

7. C and D buy on joint a/c. 1000 Mining Shares at 30/- plus exs. £10. C contributes one-third and D two-thirds of the price, (all moneys passing through a joint Banking A/c.); 600 Shares are sold at 32/6 less exs. £7 5 -, and 310 are sold at 31/- less £5 expenses. They divide the balance of the Shares at cost price, and also any profit or loss, in proportion to their original contributions. Prepare a/cs. showing the position at the close of the venture.

Exercise 105 (*W.R.C.C. Advanced, 1901*).

1. Prepare P/L. A/c. B/S. and of Western Company, Ltd., Trial Bal. 29th June, 1901. **Stock :**—29th June, Materials £1958 14 11; Finished Goods £1961 18 9. Provide £300 for Dis. on Debts and £180 for Doubtful Debts. Estimated liability on disputed claim for damages £150. Wages owing £120. Rates owing £47 10. Fire Insurance prepaid £26 5. Depreciation :—10% per. ann. on Machy., 12½% per ann. on Engine and Boiler; £20 on Horses and Carts. Write off Preliminary Exs. 33⅓% per ann. Appropriation :—Carry 10% of Net Profit to Reserve Fund. Dividends payable :—A Shares 6% per ann. B Shares 10% per ann. Carry forward bal. of profit.

Dr. Balances—				**Dr. Balances** continued—			
Calls unpaid on B. Shares...	£500	-	-	Horse Keep	£86	11	2
Freehold Land & Buildings (including Engine & Boiler Jan., £500)	10500	-	-	Discount	1049	1	8
				Income Tax.....	160	5	-
				Coal and Coke.....	1120	17	3
Machy. bot. 31 Mar., 1901.	470	-	-	Bank Charges	58	9	1
Bankers.....	2326	5	3	Travelling Expenses	758	14	7
Wages	7520	9	2	Returns Inwards.....	1124	16	2
Commission	1319	11	1	Purchases (materials)	12961	11	2
Repairs to Buildings.....	113	11	4	Purchases (expenses).....	430	17	3
Rates and Insurance	192	14	6	Stock, Materials, 1st Jan..	3758	16	9
Travellers' & Office Salaries	1426	-	-	Finished Goods	2140	15	2
Advertising	325	19	9	Debtors	10642	13	3
Cash	25	17	9				
Repairs to Machinery	73	11	2	**Cr. Balances**—			
Carriage Inwards	486	14	11	Debenture Stock 4%	7000	-	-
Bad Debts	489	1	3	800 £10 A. Shares fully paid	8000	-	-
Preliminary Expenses	327	8	6	1200 £15 B. Shs. £10 called	12000	-	-
Directors' Fees	210	-	-	Trade Creditors (net).....	2611	18	3
Machinery, 1st Jan., 1901...	3000	-	-	Discount	476	15	4
Debenture Interest, less tax	133	-	-	Returns outwards (materials)	762	9	1
Horses & Carts, 1st Jan. 1901	300	-	-	Sales	33249	14	10
Petty Expenses	76	14	9	Interest on Calls unpaid ...	12	10	-

Answer.—*Gross* £9385 17; *Net* £1362 3 9; *Bal. c/f.* £410 19 5.

2. A Manufacturing Firm with 10 Branches in different towns, wishes to keep all the books at a Central Office, and to know the separate results of the trading of each Branch. Give a short description of how the Sales, Purchase and Cash transactions might be dealt with.

3. A Limited Co. issues on 1st Jan., 1901, £20000 4½% Debenture Stock at par redeemable at the end of 15 years at a prem. of 5%. Suggest a method by which the prem. £1000 can be provided on 1st Jan., 1916, and explain, generally, without extra calculation, the effect upon the Revenue A/c.

4. In a Factory employing 100 hands, the wages (paid by time) are calculated up to Thursday night, and paid each Friday. Give a brief description of the whole procedure.

5. Joseph Rodney is the holder of 80 £20 shares out of a total of 1000 in a Limited Co. upon which £10 per share has been called up. He has paid £6 per share. Int. has been charged him at 5% per ann. for 6 mos., but not paid. By resolution of the Directors his shares are forfeited. State Co.'s Journal and Ledger entries giving effect to this.

6. Explain:—Mortgage Deb. Stock, Founders' Shares, Share Prem. A/c., Transfer Register, Quotation of Shares, "Ex-dividend."

7. Give a short description of any special books required by a merchant who employs for different districts, six travellers, each receiving a commission upon the cash received for goods sold in his district.

Exercise 106 (*W.R.C.C. Advanced, 1902.*)

1. Prepare P. & L. A/c. and B/S. of Robinson & Co., Ltd., T.B. 31st Dec., 1902. **Stock** 31st Dec., £30841 3 2. The following are not included in the T.B.:—Wages £248 5 9; Rates £65; Taxes £406. Fire Insurance £40 is prepaid. Charge Depreciation 7½% on Machinery (£993 17 0); 6% Fixed Plant; 10% Horses, Carts, &c. Write off Patents £500 Provide Discount 2½% on Good Debts. The Manager is entitled to a Commission of 2½% upon the net profit earned during the year, after adding £2000 to Reserve Fund, and charging Debenture Interest.

Dr. Balances—			
Land & Buildings	£57000	-	-
Fixed Plant	4491	10	-
Machinery & Loose Tools	13128	5	-
Stock, 1st Jan., 1902	34680	12	6
Debenture Interest paid 30th June (less tax at 1/2)	800	8	4
Pref. Dividend paid 30th June	1177	1	8
Horses, Carts, &c.	765	10	-
Debtors considered 'Good'	42703	15	2
Debtors considered "Doubtful"	470	-	-
Bad Debts written off	1241	10	-
Patents & Goodwill	27000	-	-
Bank of England	3519	10	3
Repairs	680	6	8
Rates and Taxes	1289	2	5
Insurance	184	7	6
Cash	41	8	7
Discounts	1421	8	3
Dr. Balances continued—			
Fuel	£2192	13	9
Agent's Commission	2410	8	10
Purchases less returns	19689	16	9
Wages	27395	4	2
Travelling Expenses	718	10	-
Trade Expenses	1503	5	6
Returns Inwards	2014	2	11
Machy. bought 1st July 1902	246	2	6
Cr. Balances—			
4½% First Mort. Deb. Stock	40000	-	-
50000 5% Cum. Pref. Shs. £1	50000	-	-
60000 Ordy. Shs. £1 each	60000	-	-
Reserve Fund	10000	-	-
Discounts	692	17	3
Creditors	6781	15	6
Sales	78306	14	7
Interest	91	4	2
P/L. Bal. 1st Jan., 1902	842	9	3

Answer.—*Total of B/S.* £176869 15. *See next page.*

Dr. Ex. 106. **Profit & Loss A/c.** for the year ended 31st December, 1902. **Cr.**

	£ s. d.	£ s. d.	£ s. d.		£ s. d.
To Fuel			2192 13 9	By Gross Profit from Trading A/c.	25169 15 8
,, Rates & Taxes		1760 2 5		,, Discounts Received	692 17 3
Less Income Tax deducted from Debenture Interest to 30th June	49 11 8			,, Interest Received	91 4 2
Less Income Tax deducted from Preference Dividend to 30th June	72 18 4	122 10 -	1637 12 5		
,, Trade Expenses			1503 5 6		
,, Repairs			680 6 8		
,, Insurance			144 7 6		
,, Travelling Expenses			718 10 -		
,, Agents Commission			2410 8 10		
,, Bad Debts written off		1241 10 -			
Add amounts considered Bad		470 - -	1711 10 -		
,, Discounts Allowed		1421 8 3			
Add Reserve for Discounts		1067 11 10	2489 - 1		
,, Debenture Interest			1700 - -		
,, Depreciation : —					
Machinery, 7½% on £13128 5 - for 12 mos.	984 12 5				
Do. 7½% on £246 2 6 for 6 mos.	9 4 7	993 17 -			
Plant		269 9 10			
Horses		76 11 -			
Patents, &c.		500 - -	1839 17 10		
,, **Net Profit** carried down			8926 4 6		
		£	25953 17 1	£	25953 17 1

Dr. **Appropriation A/c.** **Cr.**

	£ s. d.		£ s. d.
To Interim Dividend on Preference Shares 30th June, 1902	1250 - -	By Net Profit brought down	8926 4 6
,, Reserve Fund A/c.	2000 - -	,, Balance of Profit from 1901	842 9 3
,, Manager 2½% of Net Profit, after deducting £2000 for Reserve Fund	173 3 1		
,, **Balance** for Division	6345 10 8		
£	9768 13 9	£	9768 13 9

2. A Trader employs a Cashier, who keeps the Ledgers, &c., and a Collector who visits his customers monthly and receives payment of the previous month's a/cs. What Books are necessary in order to show the Trader how much is outstanding and to prevent dispute or error between the Collector and the Cashier?

3. Jones & Co., engineers, sell their business to a new Co. (The Jones Engineering Co., Ltd.) for £220000, viz. :—Freehold Land, Buildings and Fixed Plant £94650; Machy., Tools, &c. £28460; Stock £11290; Work in progress £13560; Book Debts £18220; Goodwill £53820. The Co.'s Cap. is 5% Pref. Shares £84000; Ordy. Shs. £90000, and it issues 4½% Deb. Stock £60000. The Vendors take in payment all the Ordy. Shares, 1/3rd of the Pref. Shs. and 1/3rd of the Debentures: the bal. of Pref. Shares and Debentures are all issued to applicants and paid for. Give Journal and Ledger entries showing these transactions.

4. A Tradesman wishes to keep his A/cs. in a complete form as from 1st July, 1902. At present he has a Book containing particulars of goods sold on credit, and when the customer pays an account the entry in this book is crossed out. No other books are kept. He buys goods on credit, has a Banking A/c., and files his invoices and receipted a/cs. Describe the steps he should take to commence a proper system of Book-keeping on 1st July, 1902.

5. On 1st Jan., 1902, an Investor places £10000 on Deposit at his Bankers at 2½%. On 1st Feby. he pays for £4000 North Eastern Ry. Stock at 155, plus exs. £20. On 1st Mar. he receives N.E R. div. at 6% per ann. for ½ year ending 31st Dec. last, less Tax @ 1/2. On 30th Apr. he pays for £1000 North Staffordshire Ry. Stock at 126, plus exs. £7. On 1st June he receives cash for 2000 N.E.R. Stock, sold at 160, less exs. £9. The divs. for ½ year ending 30th June, 1902, are say N.E. 6½% per ann., North Staffordshire 4%, and income tax is 1/2 in £. All the cash goes into and out of the deposit A/c. at Bank. Prepare a/cs. showing his Cap. at 30th June, 1902, and the income he has earned, taking Stocks at cost price. **Answer.**—*Capital* £10153 15 1; *Income* £158 6 -.

6. Explain in what respect you consider the Trial Balance shows the correctness of the Books, and state any further tests you may be acquainted with. **7.** A Retailer receives consignments of Fruit and other produce for sale at the current price on commission, and he remits the Consignors each week in settlement. Give a form of Book suitable for such transactions, and describe the working of the system.

Exercise 107 (*W.R.C.C. Advanced, 1903.*)

1. Prepare Trading, P. & L. A/cs. and B/S. of Grey & Brown, Ltd., Trial Bal. 31st Dec., 1903. **Stock** 31st Dec., 1903, A Dept.

£1028 15 4; B £1340 9 5; C £1469 7 8. Int. on loan owing ½ year. Reserves Bad Debts £200, and 2½% for Dis. on Drs. (£135 14 5). Allow 5% off total Cost Consignment; Depreciation on Fixtures 5%; on Electric Lighting Installation 10%. Managers of A and B Depts. are to receive 3% on gross profit of their respective Depts. Cost of alterations to be spread over 3 years (1903-4-5). 25% of Net Profit (after providing Pref. Div.) to be written off Goodwill (£231 18 -).

Dr. Balances—				**Dr. Balances** continued—			
Goodwill	£5000	-	-	Alteration to premises	£360	-	-
Fixtures & Furniture	325	-	-	Int. on loan to 30th June, 1903	40	-	-
Electric Lighting Inst.	100	-	-	Bank	450	10	-
Stock, 1st Jan.—A Dept.	1423	12	8	Half-year's Pref. Div. paid	150	-	-
B Department	1264	17	3	Debtors	5628	12	5
C Department	2580	10	4	Consignment to Durban:			
Purchases:—A Department	1892	17	3	Goods bought for	2400	-	-
B Department	4524	2	4	Expenses thereon	286	-	-
C Department	5431	12	8	**Cr. Balances**—			
Rent and Rates	986	15	3	500 6% Preference Shares	5000	-	-
Bad Debts	146	15	9	700 £10 Ordinary Shares	7000	-	-
Discounts allowed	426	17	2	R. Craig Loan at 4%	2000	-	-
Subscriptions	21	-	-	Sales:—A Department	2920	-	-
Wages (A Department)	215	-	-	B Department	6286	-	-
Carriage outwards	89	12	9	C Department	8492	-	-
Salaries	629	8	4	Discounts received	395	12	8
Advertising	216	15	9	Rent of Cottage	8	10	-
Bank Charges	45	7	2	B/P.	844	8	4
Insurance	24	-	-	Creditors	1742	16	1

Answer.—*Gross Profit* £4203 19 11; *Net* £1227 12 2; *B/S.* £17540 11 5

2. An Ironfounder has on 1st Jan., 1902, 45 tons of Moulding Boxes which he values at £8 10 - per ton. In 1902 4 tons are broken up and credited as Scrap Metal at 45s. per Ton. 9 Tons of New Boxes are made costing £6 15 - per Ton, and at 31st Dec., 1902, he values the boxes on hand at £8 per Ton. In 1903 similar transactions occur. viz.:—2 Tons 5 Cwts. are broken up at 43s. per Ton, 12 Tons 10 Cwts. new boxes are made costing £6 5 - per Ton, and at 31st Dec., 1903, the boxes on hand are valued at £7 13 - per Ton. Prepare A/c. showing Loss each year and value on hand.

3. Explain fully the Reserve Fund A/c. of a Limited Co.

4. Draw up the B/S. of a Public Trading Co. (Ltd.), showing what information you consider the Shareholders are entitled to with regard to Profit and Loss. Insert any figures.

5. What is meant by the principle of Double Entry? What special advantages are afforded by its adoption in Accounts?

6. Give a description of Register of Members, Register of Debentures, Deferred Shares, How should "Premium on Debenture Stock" and "Forfeited Shares A/c." be dealt with in the Books?

7. On 31st Dec., 1902, the Trading Co., Ltd.'s B/S. stood as follows:—4% Deb. Stock £50000; 15000 £10 6% Pref. Shares £150000; 10000 £10 Ordy. Shs. £100000 Trade Crs. £72000; Bankers (holding 1st Mortgage on Land and Buildings) £33000.

Assets :—Land and Buildings £78000; Machy. £35000; Patents £2000; Goodwill £40000; Stock £131000; Drs. £61000; P. & L. Deficit £58000. At 30th June, 1903, the Company is wound up and the Assets realise as follows :—Land and Buildings £64000; Machy. £22000; Patents Nil; Goodwill Nil; Stock £120000; Drs. £58500; The Deb. Int. to 30th June, 1903, is payable, also Exs. £10000. £3000 is deducted from Trade Creditors' Claims. Prepare Statement showing the realisation and distribution.

Answer.—*Bal. divisible among Preference Shareholders* £101500.

Exercise 108 (*W.R.C.C. Advanced, 1904*).

1. Prepare Trading, P. and L. A/cs. and B/S. of the Yorkshire Tweed Company, Ltd. Nominal Capital £10000, divided into 5000 6% Cumulative Preference Shares of £1 each, and 5000 Ordinary Shares of £1 each. T.B., 31st Dec., 1903. **Stock** *31st Dec.*, £3699 19s. 7d. Depreciation :—Machinery 7½% per ann.; Engines, Boilers, and Shafting, 10% per ann.; Cards, Bobbins, Shuttles, Working Utensils, &c., 25% per ann. Additions to be depreciated for half-a-year. Reserve 3% of Debtors' Balances for Dis. and £200 for Bad Debts. Reserve 5% of Creditors' Balances for Dis. Take into account the following :—The Rent of Telephone £10, has been charged on Trade Exs. A/c., and paid for year ending 30th Sept., 1904; Fire Insurance for £8000 at a premium of 10s. %, expires at Midsummer, 1904; District Rate for half-year ending 31st March, 1904, is not yet paid or entered in the books—this rate is 2s. in the £ on the rateable value of the mill, £200; Pref. Div. paid up to 30th June, 1903; Managing Director is entitled to 10% bonus on the net profit for the year (after charging Deb. Interest).

Dr. Balances –			
Machinery, 1st Jan., 1903...	£4000	-	-
Do. additions during year	200	-	-
Freehold Mill	3000	-	-
Engines, Boilers & Shafting A/c., 1st Jan.	500	-	-
Cards, Bobbins, Shuttles, Working Utensils, 1st Jan.	900	-	-
Additions during year	300	-	-
Materials	18469	15	7
Dyeing & Finishing	1216	3	6
Carriage	533	1	10
Trade Expenses	195	12	4
Motive Power	691	7	8
Wages :—Mill	8437	16	9
Mechanics and Joiners	142	1	9
Rates, Gas & Insurance	203	9	6
P. & L. A/c., 1st Jan., 1903	20	11	2
Repairs A/c.	176	14	2
Deb. Int. to 30th June	40	-	-

Dr. Balances continued—			
Trading A/c. Stock, 1st January	£3519	4	6
Dividend	90	-	-
Commission	519	11	8
Bank Charges	32	11	1
Sales Ledger Balances	6000	-	9
Discount on Sales	511	15	8
Cash Book Balance, Cash..	32	11	9

Cr. Balances –			
3000 Pref. Shs. fully paid...	3000	-	-
4119 Ord. Shs. fully paid...	4119	-	-
First Mortgage Debentures 4%	2000	-	-
Sales	32106	14	5
Purchase Ledger Balances.	4810	9	10
Bad Debts Reserve	116	9	3
B/P.	2220	-	-
Cash Book Balance, Bank.	988	6	5
Discount on Purchases	371	9	9

Answer.—*Gross Profit* £3630 11 10; *Net* £829 7 6; *Manager's Bonus* £82 18 9; *Bal. c/f.* £545 17 7; *Total of B/S.*, £17666 2 1.

2. On 1st Jan., 1900, a Manufacturer buys Plant £1000; on 1st July, 1901, he buys New Plant £200; and on 31st Dec. he sells for £80 Plant costing 1st Jan., 1900, £150. On 1st April, 1902, he buys new Plant £140; and on 1st Oct., 1903, sells for £35 Plant costing 1st July, 1901, £60. His Plant is depreciated in the books annually at 31st Dec., at the rate of 5% per ann. on the original cost. At 31st Dec., 1904, he wishes to alter this method, for the whole period, to 7½% per ann. on the diminishing value. Prepare Machinery A/cs. showing the result of both methods.

3. At 31st Dec., 1903, a set of Books show a difference in balancing of £10 4s. 8d. (the credits exceeding the debits). This difference is placed in the B/S. as a Suspense A/c. In 1904 the following errors are discovered in the books for 1903:—August, Sales Day Book overadded £10; April, Discount 2s. 6d. credited to J. Smith in Sales Ledger is not in Cash Book; May, Jones' A/c. in Sales Ledger is credited 3s. 6d. as "Bad Debt"—no entry in Bad Debt A/c.; Dec. 31, Debtor Balance, Hall & Co. extracted £3 1s. 2d. should be £3 2s. 1d.; Credit Balance, Brown & Son, 2s. 3d., not extracted. How should these errors be corrected? To what extent do they affect the profits of 1903?

4. What Books does a Limited Co. possess in addition to the ordinary commercial books? State the purpose of each.

5. Upon which side of the Ledger would you expect to find the Balances of the following A/cs.? Give your reasons:—Bad Debts, Cash, Goodwill, Reserve Fund.

6. Describe the system of Book-keeping most suitable to one of the following businesses:—(*a*) *Manufacturer*, who pays for his materials by Bill at the end of each month, pays for all items of the nature of expenses by cheque weekly; occasionally hands over to his creditor a customer's acceptance; or (*b*) *Retailer*, his sales are almost entirely for cash; he pays all his accounts at the end of the following month; all cash goes through Bank; he wishes to ascertain in one set of Books the gross results of his trading, separating the goods into three departments.

Exercise 109 (*W.R.C.C. Advanced, 1905.*)

1. Prepare Trading, P. & L. A/cs., and B/S. of the Euxine Industries Ltd. T.B. 31st Dec., 1904. **Stock,** Goods £21042 8 1, Materials £943 5 4, Packing Cases £164 3 5; Leasehold Factory is held for a term of which 11 years are unexpired, at the end of the term the Company's interest in the property ceases; Machinery and Plant depreciates 6% per ann.; Included in Book Debts is £860 due from Ali Mustafa, estimated to be worth 10s. in the £. Provide 2½% Dis. on good debts, and £50 Dis. on Creditors. £100 is estimated to be owing for legal exs. in suing Ali Mustafa. After 5% has been earned on Share Cap. for the year 1904, the Managers are to receive as bonus 20% (£32 14 8) of the surplus earnings.

Dr. Balances—				**Dr. Balances** continued—			
Stock, 1st Jan. :—Goods...	£20306	4	7	Machinery & Plant 1st Jan.	£7500	-	-
Materials	2418	19	9	Ditto, bought 30th June ...	300	-	-
Packing Cases	257	17	7	London Office Rent & Exs.	95	-	-
Bank of Asia	7236	-	-	Purchases for re-sale	749	8	2
Wages.....	5996	12	2	Special Insurance pd. 1st July for ensuing 12 mos.	124	-	-
Rent of Factory & Warehouse ... -	817	14	3	Leasehold Factory 1st Jan.	2000	-	-
Interest & Discount	875	3	6	Ditto, structural restoration and alteration this year...	400	-	-
Deb. Int. Pd. to 30th June	100	-	-				
P. & L. bal. 31st Dec., 1903	198	16	2	**Cr. Balances**–			
Purchases of Materials ...	12497	10	8	8500 £10 shs. £4 per share	34000	-	-
Insurance	431	13	11	Packing Cases charged to customers	1248	3	9
Travelling Expenses	193	16	9	Petty Cashier overpaid	14	14	4
Packing Cases bought.....	1463	13	8	Sales of Goods.....	35543	2	-
Freight, Carriage & Port Charges	8371	19	-	Transfer Fees		5	-
Sundry Debtors.....	3425	9	2	Compensation received for damage to Leasehold Factory	200	-	-
Int. Div. paid 8th Aug., 1904 5% per ann. for ½ year	850	-	-	Creditors.....	1558	9	1
Directors' Fees.....	200	-	-	4% Debentures.....	5000	-	-
Managers' Salaries	1189	3	10				
Legal Expenses	65	11	-				

Answer.—*Gross Profit after placing Rent of Factory and Warehouse in Trading A/c.* £6061 2 9; *Net* £2062 9 4; *Balance c/f.* £130 18 6.

Note how Manager's Bonus is arrived at :—

Net Profit				£2062	9	4
Dividend	£1700	–	–			
Less Dr. Balance b/f.	198	16	2	1898	16	2
				⅒)163	13	2
Manager's Bonus on Profits				£32	14	8

Note that the Leasehold Factory and Sundry Debtors work out in the Balance Sheet as follows :—

Leasehold Factory	£2000						
Add Extensions	400						
	2400						
Less Compensation for Damage..	200						
	2200						
Less ½½ Depreciation	183	6	8				
				£2016	13	4	
Sundry Debtors	£3425	9	2				
Less Doubtful Debts Reserve	430	-	-	2995	9	2	
Less Reserve for Discount (@ 2½% on £2565 9 2)	64	2	9				
				£2931	6	5	

2. The position of the Grand Pension Trading Co., Ltd., is :— Nominal Cap. £100,000 in £1 shares, 12,000 shares issued, and 15s. per share paid up; Creditors £9000, due to Bankers £7000 (who hold deeds of Freehold as security). **Assets :** Freehold, Cost £6000, Plant £2000, Preliminary Exs. £800, Debtors £3200, Stock £11000, P. & L. debit. bal. £2000. On a voluntary winding up, the Bankers sell the Freehold for £5000, and the Stock produces £10300. The Reconstruction Co., Ltd., purchase the plant and book debts

for £4200, and pays £1800 in cash and £2400 in 48000 fully paid shares of one shilling each in the latter Co. Prepare A/c. showing what the shareholders of the G.P.T. Co. will receive, the exs. of liquidation being £500.

3. A Firm sells goods of three distinct kinds or classes, A,B,C, the sales entries are in separate Day Books but are to be posted to one Sales Ledger (many customers buy two or three kinds of goods). The A goods are net, B and C are subject to discount of $2\frac{1}{2}\%$ and 5% respectively, on monthly terms. Prepare a special form of Sales Ledger from which can easily be ascertained how much a customer owes net.

4. What checks do you consider advisable (1) To guard against the risk of goods being sent away to a customer without being recorded in the Sales Book; (2) To avoid error in the weekly Wages list of a large business.

5. X is in partnership with Y as Merchants. X owns privately £10000 $2\frac{1}{2}\%$ Consols, and has £5000 lying on deposit with the Urban Bank at 3%. To enable his firm to pay promptly for goods and to take full discount, X deposits the Consols with the Bank of England and obtains a loan thereon of £7500 at 3% per ann. He lends this money together with the deposit drawn out of the Urban Bank to his firm for 6 months upon the following terms :—X shall receive 2% per ann. more than he received on his investment (nominal), and he shall receive two-thirds of any surplus accruing to the Firm by discounting after payment of interest. During the 6 months the Firm are able to take Discount twice on the whole sum borrowed, viz. :—once at $3\frac{3}{4}\%$ and once at $2\frac{1}{2}\%$. Prepare the A/cs. showing how much X will receive by this arrangement. Income Tax to be ignored.

6. In Flower & Co.'s Bad Debt Ledger at 31st March, 1905, there were the following debit balances :—R Holmes £27 6s. 9d., W. Fellowes 19s. 6d., H. Wilkinson £3 9s. 5d., all in the hands of a Trade Protection Society for collection. On 1st April Flower & Co. received from this Society cheque for £26 19s. 3d. and the Quarterly Statement as follows :--**Receipts** of Society from R. Holmes £27 16s. 9d., W. Fellowes 10/-, W. Hopton £1. **Payments** of Society in connection with R. Holmes (County Court) 10/-, W. Fellowes (C.C.) 2/-, H. Wilkinson (C.C.) 5/-; Three Debt Fees 3/-; Four Enquiry Fees 4/-; Subscription 21/-; Receipts, Postages, &c., 2/6. W. Hopton's A/c. showed no bal. in Flower & Co.'s Ledger, the bal. having been written off to Bad Debt A/c. 31st Dec., 1904. What entries would you make in Flower & Co.'s Books?

Exercise 109a *(W.R.C.C. Advanced, 1906).*

1. Prepare Trading, P. & L. A/cs. and B/S. of the Dragon Works, Ltd., T.B. 31st March, 1906. **Stock,** 31st March, 1906, £6404 5 9, and Work in Progress, £3571 13s. Owing 31st March,

1906—Carriage A/cs. for Mar., £75; Rates, £30; Expenses A/c., £20; Half-year's Loan Int., less Tax at 1s.; Half-year's Debenture Int., less Tax at 1s. The Company having paid its Income Tax up to 5th April, 1906, credit the Rates and Taxes A/c. with Tax at 1s. in the £ on Debenture and Loan Int. owing and on Half-year's Pref. Dividend to 31st Mar., 1906. Provide Discount Reserve on Debtors, £300. Write off Depreciation at the following rates % per ann.:—Gas and Water Apparatus 5; Electric Installation 25; Belting 20; Patterns 15; Patents 10; Plant 7½ (but on £600 for ½ year only). The Loose Tools are valued at 31st Mar., 1906, at £1180. Write off one-third of the Preliminary Expenses. The Shares in the Volt & Ampere Co., Ltd., are now worth a premium of 40% and the P. & L. A/c. is to be credited accordingly.

Dr. Balances—				**Dr. Balances** continued—			
Dragon Works Freehold ...	£6000	-	-	Rates & Taxes	£186	4	4
Gas, Water and Heating Apparatus	420	-	-	Pref. Div. to 30th Sep., 1905	300	-	-
Plant & Machinery, 1st April 1905	3000	-	-	Debenture Interest	180	-	-
Ditto bought this year ...	600	-	-	Wages	4258	4	9
Electric Power Installation	180	-	-	Purchases.....	6724	8	3
Loose Tools.....	1240	-	-	Salaries..... ..	972	10	-
Belting	160	-	-	Advertising	418	5	8
Patterns & Drawings	1160	-	-	Trade Expenses	702	3	5
Goodwill	4000	-	-	Repairs.....	637	6	2
Stock, 1st April, 1905	4809	15	3	Travelling Expenses	426	10	-
Cash	26	10	-	Discount allowed	342	7	1
Patents	500	-	-	**Cr. Balances**—			
Office Furniture	80	-	-	Creditors	962	16	3
Debtors.....	9447	13	4	Loan at 6%	2000	-	-
Investments in the Volt & Ampere Co., Ltd., 100 £5 Ordy. Shares cost ...	600	-	-	Preference Shares, 10000 £1 6% Cumulative	10000	-	-
Preliminary Exs. A/c.	450	-	-	P. & L. A/c., 1st April, 1905	100	-	-
Work in Progress, 1st April 1905	3520	16	10	Ordinary Shares, 20000 £1 Shares, 15s. paid up	15000	-	-
Bank	1240	4	2	Discount received	132	5	-
Loan Int. to 30th Sept., 1905	60	-	-	Reserve Fund A/c.....	1000	-	-
Carriage	729	9	1	Debentures at 4½%.....	8000	-	-
				Sales	16052	7	1
				Volt & Ampere Co., Ltd., Shares, Dividend A/c. ...	125	-	-

Ans. *Gross* £5910 11 8; *Net Profit of Business* £775; *if Dividend on Shares and their increased value is reckoned, then the Net Profit is £1000, but these are more accurately placed in the Appropriation A/c.* *See B/S. on the next page.*

2. A Firm's books (on double entry basis) contain a large number of a/cs., but have not been properly balanced; it is desired to improve the system. Explain how you would proceed with a view to proving separately the Sales Ledger each month.

3. Thomas Short holds 100 £1 Ordinary Shares in a Limited Company, 15s. per share called up, but he has only paid £40. On 1st Feb., 1906, a final call of 5s. per share becomes payable, and in consequence of non-payment T. S. receives notice that on 2nd April his shares will be liable to forfeiture. He fails to pay, and on 1st May the Company's Directors pass a resolution forfeiting

Ex. 109a (1). **BALANCE SHEET** of **The Dragon Works, Limited**, on 31st March, 1906.

Capital & Liabilities.	£	£	£	s.	d.
NOMINAL CAPITAL :—					
10000 Cum. Preference Shares of £1 each			10000	-	-
20000 Ordinary Shares of £1 each			20000	-	-
			£30000	-	-
ISSUED & PAID-UP CAPITAL, viz. :					
10000 6% Pref. Shares of £1 each		10000			
20000 Ord. Shs. of £1 ea. 15/- paid up..		15000	25000	-	-
Mortgage Debentures or Stock 4½%		8000			
Add Interest on Debentures	180				
Less Tax	9	171	8171	-	-
General Reserve Fund A/c.			1000	-	-
SUNDRY CREDITORS :					
On Loan @ 6%		2000			
Add Interest thereon	60				
Less Tax	3	57	2057	-	-
On Open Accounts			962	16	3
Provision for Outstanding Liabilities :					
Carriage		75			
Rates		30			
Expenses		20			
Dividend accrued on Preference Shares, *less* Tax		285	410	-	-
PROFIT & LOSS A/c., Cr. Balance brought from last A/c.	100				
Add Net Profit for the year	775				
Add Dividends on Investments	125				
Add Increased Value of Shares	100	1100			
Less Dividend on Preference Shares paid and accrued		600	500	-	-
			£38100	16	3

Assets.	£	£	s.	d.	£	s.	d.
Freehold Works					6000	-	-
Fixed Plant & Machinery	3000						
Add Extension bought this year..	600	3600	-	-			
Less 7½% Depreciation		247	10	-	3352	10	-
Gas, Water & Heating Apparatus...		420	-	-			
Less 5% Depreciation		21	-	-	399	-	-
Electric Power Installation		180	-	-			
Less 25% Depreciation		45	-	-	135	-	-
Loose Tools		1240	-	-			
Less Depreciation		60	-	-	1180	-	-
Belting		160	-	-			
Less 20% Depreciation		32	-	-	128	-	-
Patterns & Drawings		1160	-	-			
Less 15% Depreciation		174	-	-	986	-	-
Office Furniture					80	-	-
Patents		500	-	-			
Less 10% Depreciation		50	-	-	450	-	-
Preliminary Expenses		450	-	-			
Less amount now written off 1/3rd		150	-	-	300	-	-
Goodwill					4000	-	-
Stock		6404	5	9			
Work in Progress		3571	13	-	9975	18	9
Sundry Debtors		9447	13	4			
Less Reserve for Discount		300	-	-	9147	13	4
Investments (valued @ 40% premium)					700	-	-
Cash at Bank		1240	4	2			
Cash at Office		26	10	-	1266	14	2
					£38100	16	3

the shares. Describe all the entries in the Company's books relating to these transactions, and suggest the best method of dealing with the sum paid by T. S.

4. How should the following items be treated in Accounts? (a) Premiums received by a Co. on issue of its Debenture Stock. (b) Payment (by Lessee of a Shop) for a new Shop-Front. (c) Taking over (in satisfaction of a doubtful debt of £100) a reversionary interest held by the debtor under a Will, expected to realise within the next 10 years £220.

5. A has advanced £5000 to B on mortgage of a Leasehold property at 4% interest. The property produces Rents £400 per year (paid quarterly); ground rent £20 per ann. is paid out half-yearly, and insurance and repairs cost £30 per ann. B pays the int. to A up to 31st March, 1905, but as he fails to pay the next half-year's int., A takes possession of the property on 1st Feb., 1906, and finds that B has collected all rents and paid all outgoings up to 31st Dec., 1905. Assuming that the Rents and outgoings remain the same, prepare B's A/c. as in A's books up to 31st March, 1907, when the property is sold for £5100 (charging simple interest and ignoring income tax).

6. Explain fully the Reserve Fund of a Limited Company, and state how it is dealt with in the Books and B/S.

7. On 1st Jan., 1905, "Rates" A/c. has a Cr. balance £25 for Poor Rate owing for 3 months ending 31st Dec., 1904; the Books are made up half-yearly, 30th June and 31st Dec. On 1st Feb., £50 is paid for half-year's Rate to 31st March. On 1st May Demand Note £55 is received for half-year's Rate ending 30th Sept., is entered in May Purchases Book, and debited 31st May to "Rates" A/c., the Rate being paid 1st August. On 3rd Nov., 1905, Demand Rate of £60 is received for half-year's Rate to 31st March, 1906; no entry of this is made until payment thereof on 10th January, 1906. Write out the "Rates" A/c., closing it at 30th June, 1905, and 31st Dec., 1905, with correct apportionments. Also write out the "Rates" A/c., assuming that the books are closed at the end of January and July instead of as above.

Exercise 109b. (*W.R.C.C. Advanced, 1907.*)

1. Prepare Trading, P. & L. A/c. and B/S. of Phillips & Thomas Ltd., on 31st Dec., 1906, when the **stock** of Goods was £7346 15s. 7d. and of Coal £56. Rates are prepaid £15. Half-year's Rent of House, £10, is due. The Int. on Bank Deposit Receipt has accrued but is not credited to the Co. in their current banking a/c. A/cs. for Extensions to Premises are owing, £200. Of the debtors £346 is estimated to be Bad. A B/R in hand £150 is known to be Bad. Depreciation is 1% on Freehold, 10% on Engine and Boiler, 5% on Machinery & Plant, and it is decided to write off one-fourth of the Extensions a/c., and to treat the Models as being worth £200.

Sales Ledger balances include Smith Bros. £300, who are creditors in the Bought Ledger for £250. Reserve 5% Discount on good Debts.

Dr. Balances—			
Goodwill	£5000	-	-
Trade Expenses	246	5	4
Freehold Estate (Factory) 31st Dec., 1905	5800	-	-
Models	150	-	-
Coal and Coke	768	4	9
Salaries	942	15	3
Additions to Plant during year	240	-	-
Bad Debts	189	5	3
Legal Expenses	17	9	5
Petty Cash Book ... ... (composed of Goods bought £3 3 9 2; Repairs £27 18 5; Horsekeep £15 5 7; Travelling £24 15 2; Sundry Exs. £14 3 7; and Balance £4 14 7)	120	6	6
Dwelling-house	400	-	-
Sales Ledger Balances ...	6091	5	4
Purchases	37960	3	7
Rates and Taxes	146	5	4
Engine and Boiler ...	660	-	-
Stock, 31st Dec., 1905 ...	8215	5	4
Travelling Expenses ...	218	4	3
Repairs	158	4	11
Discount allowed	2035	4	2

Dr. Balances continued—			
Pref. Div. to 30 June, 1906	£240	-	-
Insurance	76	9	8
Bank, current a/c.	944	-	9
Horses, Carts & Harness...	229	10	-
Subs. and Donations ...	63	4	9
Extens. to Prem. (factory)	240	-	-
Bank Deposit Receipt dated 30th June, 1906 @ 3% ...	500	-	-
Horsekeep and Cartage ...	346	5	7
Machy. & Plant, 31 Dec., 05	2164	-	-
Mortgage Int. to 30 June, 06	80	-	-
Cash	89	6	4
Returns and Allowances ...	166	8	4
Wages	5878	2	7
Bills Receivable	985	8	2
Bank Commission	52	5	7

Cr. Balances—			
Rent received (House) ½ year to 30th June, 1906...	10	-	-
Bank Interest	24	5	6
Loan on Mortgage 4% ...	4000	-	-
14000 £1 Ordinary Shares	14000	-	-
Returns Outwards... ...	85	14	9
8000 £1 6% Pref. Shares ...	8000	-	-
Discount received	842	5	4
Bought Ledger Balances...	2481	10	3
Sales	51870	5	4

Answer.—*Gross* £7049 6 8; *Net Profit, including Rent, which is more accurately placed in the Appropriation A/c.* £1434 11 3; *Total B/S.* £29956 1 6.

2. An Engineer's Books give the following figures: for the year 1906, Materials purchased, £17500; Sales, £30000; Wages, £7500; and Expenses £2000. The Stocks at the beginning of the year were Materials, £6000, Finished Work, £4000; and at the end of the year they were Materials, £5000, and Finished Work, £3000. For the year 1907, the Materials purchased were £14000, Wages, £4800, Expenses, £1200, and Sales £17000. Stock at the end of 1907 is Materials, £7000, and Finished Work, £6000. Prepare a statement showing each year (and also the average of the two years) what are the percentages of Cost of Materials, Wages, Expenses and Profit, on the output.

3. Arthur Beresford borrows £10,000 from the Building Society on 1st Jan., 1907, and repays £800 per annum, by half-yearly instalments in discharge of the Principal and Interest. Calculating Interest half-yearly at 4% per annum. Prepare an a/c. in A.B.'s Ledger, showing the position up to 1st January, 1910.

4. A Firm's books are made up half-yearly, and many items have been included under the heading of General Trade Expenses. The Firm have a quantity of Materials for Repairs, and also a stock of Catalogues and printed matter. It is desired to know in

future what is the separate cost, each half-year, of Horsekeep, Repairs, Advertising, and Office Expenses. Explain in detail how the necessary alteration in the system is to be properly effected.

5. Arthur Dent and W. Fenn are partners. The Capital at 30th March, 1907, is Dent £4634 15s., Fenn £3391 11s. In their B/S. is a Freehold property, £1860, which it is agreed that Dent shall take over from the partnership at 1st April, 1907, at the value of £2000. The partners then wish to make their respective Capitals in the business equal, and in order to do this Dent on 1st April pays £100 into the Firm's banking a/c. and also gives to Fenn by cheque on his own (Dent's) Bank for the sum required to make the Capital of the two partners equal. Write out the two partners' a/cs. in the Firm's Ledger showing the transactions.

6. Criticise this B/S. of Short Bros., Ltd., 31st Dec., 1906.

To Debentures	£1000	By Freehold, Machinery and Plant as at 1st Jan., 1908	£1700 -
,, 50 £10 Preference Shares.....	500	,, Sales Ledger balances, less Bought Ledger balances..	300 -
,, Reserve Fund.....	200	,, Stock at sale price	300 -
,, Cash	10	,, 5 Shares unpaid	50 -
,, W. Short's Exors. loan	750	,, B/R. due 20th Nov., 1905..	2 10
		,, W. Short's Exors., Int. paid for 1907	17 10
		,, Profit & Loss A/c.	100 -
	£2460		£2460 -

Exercise 109c. (*W.R.C.C. Advanced 1908.*)

1. Prepare Trading, P. & L. A/c. and B/S. of Lead & Hall, Ltd. T.B. 31st Dec., 1907. **Stock** 31st Dec., 1907, £3650 9 6. The additions to Plant £386 2 9 consist of Machinery £187 14 3, Shafting £117 1 2, Trade Fixtures £40 9 10, New Horse £40 17 6. Write off Depreciation :—Freehold £50, Machinery 10%, Engine Boiler and Shafting 12½%, Trade Fixtures 10%, Office Furniture 5%. Horse and Van 20%. The additions during the year to be depreciated for six months. Reserve Discount 2½% on Creditors, 3¾% on good Debtors, and Reserve for Bad Debts, £100. Rates and Insurance prepaid £78 During the year the Co. have manufactured Stationery goods £123 9 - for their own use in the office and they have a Stock of £25 on hand at 31st Dec., 1907. The Prepaid calls £48 are entitled to interest 5% per annum (owing for 1907). The Manager is to have a Bonus of 5% on the net profit. The Vendors' Shares take one-fourth of any Profit earned in excess of 10% on the Ordinary Capital called up.

Dr. Balances—				**Dr. Balances** continued—			
Stock, 1st January, 1907....	£3644	18	8	Rates, Taxes & Insurance	£317	1	2
Engine, Boiler & Shafting 1st January, 1907.....	170	-	-	Additions to Plant.....	386	2	9
Machinery, 1st Jan., 1907...	1000	-	-	Repairs.....	52	12	2
Office Furniture, 1st Jan. ..	30	-	-	Horsekeep	57	1	5
Trade Fixtures & Utensils 1st January, 1907	360	-	-	Commission, Travellers	279	2	-
Horse & Van. 1st Jan., 1907	30	-	-	Debtors	2569	7	7
Directors' Remuneration ...	206	12	-	B/R (Bad : write off)	5	-	-
Bank Charges	28	6	-	Cash	52	7	1
Freehold Factory.....	7350	-	-	**Cr Balances**—			
Interest on Mortgage, &c.	155	15	2	1164 Ordy. Shares £7 each : £5 10 0 per share called up	6402	-	-
Bank	21	13	-	30 Vendors' Shares £7 each fully paid	210	-	-
Discount allowed.....	257	16	11	Prepaid on 32 Ordy. Shares	48	-	-
Bad Debts	12	4	-	Chas. Johnson, Mortgage	3500	-	-
Wages	4126	7	8	P. & L. A/c., 1st Jan., 1907	584	5	6
Travelling Expenses	255	18	-	Reserve Fund A/c.....	2350	-	-
Stamps and Parcels Post ..	114	-	-	Creditors	1142	5	9
Carriage outwards	319	13	11	Discount received	314	6	11
Trade Expenses	280	11	6	Sales	15637	6	7
Fuel	40	17	8	Cottage Rent	25	15	10
Purchases	8090	11	11				

Answer.—*Gross*, £3549 6 10; *Net*, £1082 8 6; *Total B/S.* £15292 16 7.

2. A Company has a very large number of credit customers; what suggestions as to Book-keeping can you make with a view to keeping an eye on the doubtful ones? When preparing the B/S., what steps would you take to ensure as far as possible the debts being shown at a correct value?

3. A Trader's Warehouse is burnt down, and the following Books, &c., which had not been placed in the safe are destroyed, viz., Bought Ledger, Purchase Book, and Invoice Files. The list of the Balances of the Bought Ledger made up to the end of the previous year and the Stock Sheets at the same date are preserved in the Safe with the usual Books State in detail how you would proceed to restore sufficient records with a view to (*a*) Insurance claim and (*b*) the current year's Trading A/c. and B/S.

4. Jones & Co., Bradford, have an Agent (W. Rimmer) in Barcelona, who obtains orders for goods, and delivers the goods from a Stock supplied to him by Jones & Co., Rimmer invoices the goods to the customer, and sends monthly Sales Sheet to Jones & Co., the items being charged in pesetas. Rimmer collects the cash and pays it to Jones & Co.'s A/c. at Credit Lyonnais, Barcelona, after deducting his salary and expenses, sending a monthly Cash Sheet to Jones & Co. Jones & Co. wish to include in their Sales Ledger an a/c. for each foreign customer, in sterling. Explain fully how you would deal with these matters.

5. T. Robson, a Manufacturer, buys each month £500 worth of Raw Materials from Cook & Co., on the following terms of discount: for prompt cash 5%, cash by the end of the following month $3\frac{3}{4}$%, cash by the end of the 2nd month following $2\frac{1}{2}$%, cash by the end

of the 3rd month following 1¼%; after that time, net. (For example, materials bought in Jan. are subject to 3¾% if paid for by Feb. 28, and 2½% if paid for by Mar. 31, &c.) Prepare a/cs., extending over six months, showing the result to Robson as regards Int. and Dis., (*a*) If he owes his Bank £5000 at 5% int., on 1st Jan., 1908, and takes full dis. (*b*) If he owes his Bank £5000 at 5% int., on 1st Jan., 1908, and takes no dis. The Int. may be dealt with in months.

6. In a set of books there are several Sales Ledgers, each balanced separately every month. The balances at 31st March extracted from the Ledgers amount to £1210 8 3, the Sold Ledger Summary shows a balance of £1200 8 3. How would you proceed to find the difference, beginning where you think a mistake of this kind would be most likely to occur? Explain how you would search for the error through all the books affected.

Exercise 109d. (*W.R.C.C. Advanced, 1909.*)

1. Prepare Trading, P. & L. A/c. and B/S. of Martin Hanson & Co., Ltd., T.B. 31st Dec., 1908. **Stock** 31st Dec., 1908, Goods £8605 18 9., Horsekeep £25. Dividend accrued due on Investments £150. Depreciation: Fixed Plant 5%, Loose Tools 7½%. Patterns 10%, Horses & Carts 20%, Furniture 5%, Half Depreciation to be charged on additions during year. Reserve £600 for Bad Debts and £667 for Discounts on Debts due. If there is any surplus Profit for the year after paying Debenture Interest and Loan Interest, Pref. Dividend and 5% Ordy. Dividend place 25% of such surplus to a Special Reserve A/c.

Dr. Balances—			
Freeho'd	£23500	-	-
Fixed Plant	4490	-	-
Loose Tools, &c.	2750	-	-
Furniture	200	-	-
Horses, Carts, &c.	250	-	-
Patterns and Models	3200	-	-
Goodwill	53293	-	-
Deb Int. pd. 31/12/08	877	10	-
Pref. Div. pd. 31/12/08	675	-	-
Loan Int pd. 31/12/08	263	2	10
Directors' Fees	250	-	-
Bank Commission	26	18	3
Subscriptions	29	14	6
Debenture Trustees' Fees	26	5	-
Bank	6593	10	10
Investments	707	-	-
Stock, 31st Dec., 1907	8302	6	2
Purchases	17315	10	7
Discount allowed	1390	13	11
Wages	18658	11	7
Coal	1890	19	1
Insurance	168	1	2
Loans to Workmen	5	12	2
Horsekeep	735	8	4

Dr. Balances continued—			
New Plant (Loose)	£385	17	9
New Buildings	81	9	9
New Patterns	525	5	10
Repairs	1594	-	5
Trade Expenses	635	7	2
Salaries	1307	1	6
Debtors	11612	8	5
Cash	99	16	8
New Electric Light Instal. (to be spread over 3 yrs.)	300	-	-
Cr. Balances—			
Pref. Shares: 13500 £1 5%	13500	-	-
Ordy. Shares: 58000 £1	58000	-	-
Debenture Stock 4½%	19500	-	-
Bank Interest	179	17	6
Loans	5530	-	-
Reserve Fund	6100	-	-
P. & L. A/c. 31st Dec., 1907	6493	8	6
Discount received	221	11	8
Returns outwards	51	10	11
Sales	48701	17	2
Bad Debt a/c.	408	1	9
Creditors	3363	19	10

Answer.—*Gross Profit* £13082 18 6; *Net* £2658 12 1; *Total of B/S.* £114471 - 5.

2. X, Y, and Z are partners. Their respective Caps. in the business as shown by their B/S. on 31st Dec., 1908, are X £3000, Y £2200, Z £800. The profit for the year amounting to £1600 has been credited to X ½ share, Y and Z ¼ share each, and the books have been closed. During 1908 they have withdrawn nothing beyond their salaries which have already been charged to P. & L. A/c. It is found on 31st Mar., 1909, that Int. on the Partners' Cap. (5% per ann.) as provided by the partnership agreement has been omitted. Give the entries you would make in the books to correct this error.

3. A Manufacturer's Books show the following figures for each item for the two years 1907 and 1908: Materials used £22,389 and £21,427, Wages £7495 and £7577, Rent and Power £1659 and £1655, Carriage £513 and £494, Trade Expenses £303 and £309, Gas and Water £213 and £240, Travellers £719 and £763, Repairs £426 and £563, Insurance £78 and £78, Depreciation £600 and £580. Goods produced (Net) £36,468, and £36261. Prepare a statement showing for each year the various Costs per cent. on production.

4. A Limited Company's B/S. contains (amongst others) the following items:—*Assets*: Closed Works (cost £5000, now worth £1000) £4500; P. & L. A/c. bal. £2780; Goodwill £1500; *Liabilities*: Forfeited Shares a/c. £100; Reserve Fund A/c. £7680; What would you suggest with regard to these items?

5. Lead & Hall, Ltd., have a Share Cap. of 1164 £7 shares £5 10s. per share called up. A. V. Rawle has 1100 shares £5 10s. per share paid up. C. B. Rooke has 64 shares, of which 32 are fully paid up (*i.e.*, £7 per share). The Reserve Fund A/c. is £2350. The Directors call up the final £1 10s. per share, and at the same time distribute a Bonus (out of Reserve) of £1 10 per share. Write up the entries which you would make in the Books to give effect to the foregoing. Assuming that 12½% Dividend has been previously paid, and the available Profit is the same now, how will the rate of Dividend be affected by this alteration in Cap.

6. "The Reserve Fund of a Co. should be invested outside the Co.'s business." This statement is frequently made; state your reasons for agreeing or disagreeing with it.

Exercise 109e. (*W.R.C.C. Advanced 1910.*)

1. Prepare Trading A/c. of J. C. Mildred & W. F. Merryweather, equal partners, showing the Gross Profit; the profit before charging Partners' Interest on Capital; and the Net Profit. Show B/S. on 31st Dec., 1909, and prepare the Partners' Capital A/cs. for the half-year. **Stock** of Materials 31st Dec., 1909, £7032 11 9. Interest on Capital at 5% per ann., but no Interest on Drawings. R. A. Merryweather is Factory Manager and is entitled to a bonus of 15% of the profit after allowing for all Interest. He is also entitled to Interest at 5% per ann. on the amount of his Bonus left in the business. Land & Buildings A/c., Depreciation 1% per annum. Machinery, Plant & Utensils A/c. includes additions this half-year £179 8 2, write off Depreciation 10% per ann. on balance at 1st

July, 1909. Office Furniture A/c. has been regularly depreciated each half-year at 10% per ann. This half-year it has also been reduced on 30th Sept., by the sale of a Typewriter for £5, which was purchased on 30th June, 1908 for £25; include the loss on this transaction with this half-year's depreciation. Interest on Mortgage owing from 1st October, 1909 (ignore Income Tax). W. F. Merryweather requires £100 transferring from his A/c. to the credit of R. A. Merryweather as a present at Xmas., 1909. Wages include £12 13 6 paid to an injured workman and recoverable from the Insurance Co. Rates owing £75. Insurance prepaid £30. Discount allowed should be shown in Trading A/c. as a deduction from Sales, Reserve 6¼% of the Debtors. Gas and Water. The note from the Corporation received 2nd Feb., 1910, shows the gas for the half-year ending 31st Dec., 1909, is £132 11 8, water for half-year ending 30th June, 1910 (payable in advance) is £33 6 8, The Corporation allow 5% discount on this note. J. C. Mildred should be charged 10/- per week for the half-year for use of Stabling belonging to the business. Bad Debt A/c., Reserve £200. Discount received should be shown in Trading A/c. as a deduction from Materials purchased; Reserve 2½% of Creditors.

Dr Balances—			
Land & Buildings, 1/7/09 ...	£6800	-	-
Machy., Plant & Utensils..	6250	8	2
Office Furniture	130	-	-
J. C. Mildred, Drawing A/c.	378	4	10
W. F. Merryweather, Drawing A/c.	229	3	1
R. A. Merryweather, Drawing A/c.	141	6	7
Materials Purchased..... ...	14187	14	9
Wages	4544	6	8
Office Salaries	189	11	3
Travellers' Salaries	432	9	6
Rates & Insurance	121	15	10
Discount allowed	1064	14	2
Repairs & Renewals of Machy.	248	3	1
Royalty (on manufacturing process).....	149	1	2
Gas & Water A/c.	35	13	7
Travellers' Commission ...	123	4	2
Travelling Expenses	269	13	1
Bank Charges	68	9	3

Dr. Balances continued—			
Returns Inwards	£143	5	7
Trade Expenses	179	10	5
Stock of Materials 1/7/09 ...	3611	17	6
Debtors	2700	2	11
Petty Cash Balances.....	5	-	1
Interest A/c.	40	-	-
Cr. Balances—			
J. C. Mildred, Cap. 1/7/09	8653	14	8
W. F. Merryweather, Cap. 1/7/09	5610	3	7
Executors of Henry Watson, Mortgage 4%	4000	-	-
R. A. Merryweather, Bonus A/c. 1/7/09	329	10	-
Sales	20465	7	11
Rent of Stabling let off.....	41	2	9
Bad Debt A/c....	138	9	1
Discount received	387	6	8
Creditors	1250	10	-
Bank	328	16	3
Bills Payable	338	14	9

Answer.—*Gross*, £4072 0 1; *Manager's Bonus on* £1422 6 2, £213 6 11; *Net*, £1208 19 3; *Total B/S.* £21746 11 6.

2. Referring to the previous question state what percentage the following items in the Trading A/c. bear to the net Sales:—Materials consumed (including Royalty); Wages; Gross Profit; Net Expenses before charging Partners' Interest; Net Profit (after Bonus).

3. Explain what is meant by: Nominal Capital; Subscribed Capital; Called-up Capital; Paid-up Capital.

4. A Limited Company has issued £40000 4½% First Mortgage Debenture Stock, interest payable 31st March and 30th September.

Being in possession of surplus funds, it purchases £1000 of this Debenture Stock at 95% on 1st July, 1910. The Company's year ends 30th Sept. State fully how this transaction should be dealt with in the books, and also in the B/S at 30th Sept., 1910.

5. A Retail Trader has 4 Shops (A, B, C and D). His total figures for the year are Sales A £4000, B £3600, C £3800, D £2000. The Stock at the beginning of the year is £5500, and at the end £5300. The Purchases are £9800. The Expenses not kept separately for each Shop are Printing, Stationery and Advertising £48, Trade Expenses £210.

The Rents and Rates are A £150, B £110, C £180, D £115, and the Wages are A £218, B £194, C £234, D £180. On the basis that each Shop earns the same rate of gross profit, prepare a statement showing the net profit at each Shop, dividing the expenses in proportion to the business done.

Exercise 110.

Prepare Net Revenue A/c., Appropriation A/c., and B/S., of Messrs. Evans & Owen, Ltd., Drapers, as on the 20th Feb., 1908. Please note that the balance of the Pref. Shares was issued during the current year, and that the dividend stated below is the sum actually paid. The debentures were repaid during the year.

Paid interest on debentures, deposits, etc.....	£737	15	8
Reserve Fund.....	10632	-	10
Interim dividends paid for the half-year to 20th Aug., 1907—At the rate of 5% on the preference shares..	550	-	-
At the rate of 7½% on the ordinary shares ..	1800	-	-
Goodwill £20,000, Horses and Vans.....	158	7	8
Sundry Creditors	2528	10	11
Depreciation written off fixtures and fittings	337	-	-
Share Cap. £100,000 issued 8000 £5 5% pref. shares	40000	-	-
12,000 £5 ordinary shares, £4 paid	48000	-	-
Gross Profit from Trading A/c. after charging £500 for Reserve on Book Debts	8460	4	1
Dividends declared for the half-year to 20th Feb., 1908—			
At the rate of 5% on preference shares	861	7	4
At the rate of 7½% and a bonus at the rate of 2½% on the ordinary shares.....	2400	-	-
Reserve for the equalisation of dividends out of profits	500	-	-
Directors' and auditors' fees, & secretary's salary paid	420	-	-
Rents received £53 10; Cash in Bank and on hand..	7248	6	9
Fixtures and fittings, per last account	6529	12	10
Added this year.....	210	7	1
Stock of goods and book debts	30666	18	-
Addition to reserve out of this year's profits	500	-	-
Shop Assistants' deposits and interest thereon	1083	18	10
Transfer and registration fees received	5	1	6
Leasehold and freehold premises	42941	18	2
Directors' fees, one-sixth of balance, after providing for dividends in accordance with the articles.....	335	8	9

Answer:— *Net profit*, £7023 19 11; *Balance c/f.* £77 3 10.

Exercise 111.

Prepare P/L. A/c., Appropriation A/c., and B/S. of Messrs. Jones & Higgins, Ltd., for the year ending 20th February, 1908.

Interest on Debentures (£1657 is unpaid)	£5400	-	-
Cash at Bankers and in hand £6613 16 6 ; on Deposit	25000	-	-
Appropriate further dividend of 7% for half-year....	4550	-	-
Directors' and Manager's share of profits	3250	-	-
Trade Creditors for Goods £114 11 3; Income Tax paid	240	13	7
Freehold and leasehold premises and goodwill	161733	4	4
Fixtures, fittings, furniture, plant, horses, and carts..	36485	6	-
Sundry creditors £3531 14 10; Deb. Stock (4½%)	120000	-	-
Transfer fees received £62 19 6 ; Directors' Fees ..	1250	-	-
Book Debts £2495 6 -, Investments.....	16086	2	1
Interim Dividend on ordinary shares, paid October, 1907	4550	-	-
Reserve account (General)	4199	15	9
Reserve A/c. (for profits earned prior to incorporation)	3629	-	10
Reserve A/c. for debenture premium	6000	-	-
Gross profit from Trading A/c.	29234	19	5
Fire insurance, etc., paid in advance (B/S. only)	1287	8	9
Balance from P. & L. A/c. 1907, £1300 ; Stock at cost	38588	4	4
130,000 Ordinary Shares £1 each, fully paid	130000	-	-
Place to Debenture Prem. Reserve out of profits	2240	14	6
Place to General Reserve A/c. out of profits	3250	-	-
Ordinary Shares take bonus at 6d. per share.....	3250	-	-

Answer.—*Net Profit*, £22407 5 4 ; *Balance c/f.* £2616 10 10.

Exercise 112.

Prepare P/L. A/c., Appropriation of Profit A/c., and B/S. of D. H. Evans & Co., Ltd., for the year ending 19th Feb., 1908.

General expenditure including directors', trustees', and auditors' fees £48800 4 5. Reserve Fund.....	£3696	17	7
Repairs, renewals, and depreciation of fixtures, &c...	3488	-	6
Property leases and goodwill, including purchase and outlay on new premises, as per last account	268862	14	1
Additional outlay for year	3190	11	3
Fixtures, fittings and electric plant, after depreciation	35845	19	1
Cash in hand and at bankers.....	21752	18	11
Capital—Authorised £282000 : Issued Ordy. Shares..	120000	-	-
Preference shares paid up	80000	-	-
Preference shares 10/- called up	40000	-	-
Founders' shares	2000	-	-
Less calls in arrear on new preference shares	536	15	-
Undivided profits from last year's a/c. :—Ordy. Shs.	1035	17	6
Founders' shares	635	17	6
Debenture redemption fund Cr. Balance.....	549	-	9

Furniture & Effects, after depreciations	£3150	3	5
Stocks on hand—General £77343 1 8 ; Stationery ..	392	3	4
Preliminary expenses a/c., Dr. Balance b/f.	974	12	9
Less proportion written off.....	487	6	4
Amount of interim divs. paid, viz. :—3½ on Ordy. Shs.	4200	-	-
3% on £80000 preference shares	2400	-	-
Balance of 3% on pref. shares making 6% for the year	2400	-	-
6% per ann. on amount called up and paid on new preference shares	429	10	-
Further div. on Ordy. shs. at 8½% makg. 12% per ann.	10200	-	-
Placed to Reserve Fund out of current profits	1834	11	5
Debentures at 4½%	100000	-	-
Interest on debentures, mortgage, and loans paid....	6552	8	4
Charge to P. & L. A/c. Debenture redemption fund, which amount is handed to Trustees for investment	835	-	-
Transfer fees rec. £116 1 6 ; Creditors	35215	3	5
Sundry Drs. after allowing for bad & doubtful debts	26946	5	-
Gross profit on trading £89569 12 6 ; Mortgage	30000	-	-
Premium on sale of new pref. shares (*place to P.&L. A/c.*)	2452	7	-
Dividend declared on founders' shares at £3 per share	6000	-	-
Proportion of profit carried forward to credit of ord.shs.	3291	7	6
Proportion of profit carried to credit of founders'shares	2891	7	6

Answer :—*Net Profit* £31975 1 5. *Total of B/S.* £438806 3 2.

Exercise 113.

From the following prepare P/L. A/c. and B/S. of Messrs. Swan & Edgar, Ltd., for the year ending 31st January, 1908.

69,000 ordinary shares of £1 each	£69000	-	-
Rents, rates, taxes, gas & water.....	4408	15	6
Mortgage redemption a/c., Dr. balance	6868	2	6
Suspense a/c., Dr. balance.....	813	1	4
31,000 preference shares of £1 each ; Consols 2½% ..	1000	-	-
Gross profit on tradg. after making reserve on debts	46825	1	4
Insurance, &c., unexpired £605 17 3 , Mortgage....	26500	-	-
Leases, fixtures, fittings, alterations and improvements a/c, as on 31st January, 1907.....	85175	8	2
Additions since	5126	14	8
Less written off for the past year	2000	-	-
Stable expenses £1263 0 8 ; Trade expenses.....	11702	11	10
Fire Insurance, premiums paid.....	445	11	6
Paid Interest on Mortgage	1325	-	-
Sundry trade debts due by Company	22120	4	2
Horses and Vans, as per valuation	554	-	-
Stock-in-trade 31st January, 1908	35970	8	9
Directors' fees £600 ; Audit fee.....	78	15	-
Sundry book debts, after deducting reserve of £1000	13603	4	9

Cash in hand and at bank	£8926	18	8
Housekeeping expenses, salaries, wages and repairs..	17339	10	9
Paid interest on loans £242 18 -; Transfer fee recd..	45	5	-
Dividend paid on preference shares to 31st July, 1907	568	10	6
Undivided profit b/f. from last a/c.	1127	19	4

Answer.—*Net Profit* £7464 3 1; *Undivided Profit* £8023 11 11.

Exercise 114.

Prepare Trading, P. & L. A/cs. and B/S. of the Transvaal Gold Mining Estates, Limited, on 31st March, 1908.

Property £437552 5 11; Premium on Shares issued	£101750	-	-
Works, buildings and machinery	217800	18	9
Movable Plant £7279 6 2; Tree-planting.....	1502	11	10
640,000 shares of £1 each	640000	-	-
Less reserve shares unissued.....	35775	-	-
Sundry creditors £15,021 9 5; Office Furniture....	315	9	11
Machinery susp nse account Dr. balance.....	196	13	2
Plans and diagrams valued at	135	7	-
Mine development, 194,050 tons in sight, valued at..	68670	-	6
Ore on hand, 9732 tons, cost.....	8059	6	3
Expenses of mining 58,067 tons	64251	4	10
Expenses of milling, 68,877 tons	9443	-	2
Expenses of cyaniding, 37,034 tons.....	13023	1	10
Expenses of tramming, 51,413 tons.....	6993	1	5
Stores on hand and in transit	15254	17	6
Bearer Share Warrants received but not cashed....	533	15	10
Bullion on hand and in transit.....	67120	13	9
Less advance on same	43200	-	-
Debtors £809 1 10; Cash in hand and at Bank	27158	1	4
Wages at Mine £3955; General charges at Mine ..	5501	-	11
Claim expenses £2108 15 10; Prospecting Expenses.	1508	3	6
Head office expenses :—			
Salaries £1468 6 8; Stationery and Printing ..	152	16	6
General expenses £5355 11 8; Legal exs.	55	7	-
Directors' fees £1000; London & Paris exs....	2132	8	1
Bullion produced 41416 ozs.....	173226	6	2
Clewer Tailings produced.....	1438	7	8
Brown's hill tailings produced.....	676	12	6
General revenue £3132 16 11; Concession rents pd.	650	-	-
Balance from last year £29702 18; Royalties paid..	4920	18	4
Depreciation on works, machinery and movable plant	4372	18	9

Answer.—*Net Profit* £54116 3 7; *Undivided Profit* £83819 1 7.

Exercise 115. (Banking).

Prepare P/L., Appropriation A/c. and B/S. (similar to the specimen given in the Appendix) of the Commercial Banking Co., Sydney, for the half-year ending 31st Dec., 1907. Cap. £1000000;

Reserve Fund £1010000; Coin and Bullion in hand £1999692 9 5; Cash at Bankers £215768 10 4; Amount undivided from last half-year £15256 19 5; Transferred to Dividend A/c. for payment of a div. for past half-year at the rate of 8% per ann. £40000; Notes in circulation £416617; Bills in circulation £577960 8; Deposits and other liabilities £9699943 9 10; Gross Profit for half-year ended 31st Dec., £45996 13 3; Government Securities £1009499; Queensland Government Notes £48103; Rebate on current bills £5846 11 7; Remittances in transit £472353 12 7; Notes and Bills of other Banks £33300 13 9; Bills discounted and all debts due to Bank £8583772 4 5; Premises & Furniture £403285.

Answer.—*Net Profit* £40150 1 8; *Undivided Profit* £15407 1 1.

Exercise 116.

Prepare Trading, P/L. A/cs. and B/S. of the May Consolidated Gold Mining Co., Ltd., on 31st December, 1907. The amount of the depreciation has been deducted from the assets.

Value of Claims	£179201	10	6
Shafts:—Main Incline Shaft, 1015 ft.	10054	-	-
May Shaft, 917 ft.	1054	-	-
Reservoir & Dams £7675 19 1; Capital	275000	-	-
Sundry Creditors	9184	4	11
Owing to the Rand Native Labour Association, Ltd.	59	-	-
Buildings £15228; Plant	29698	11	3
Reduction Works—Battery (100 Head) Cyanide Works	62899	14	6
Native Wages Suspense A/c. (amount due to Natives)	2165	10	-
Over-draft to De-Nationale Bank	32545	-	-
Furniture & Fittings £407; Gold in transit	13714	6	5
Unexpired value of Accident Insurance Premium	58	12	3
Ditto Fire Insurance Premium	153	8	7
Balance brought forward from 31st December, 1906	4046	13	2
Rents collected £400; Depreciation	20047	3	4
Dividend received on Rand Mutual Assurance Shares	276	-	-
Transfer Fees (London Office)	119	3	-
Due from London and Berlin Agents	548	-	4
Sundry Debtors £449 9 -; Stores on hand	5723	7	10
Working Costs:—Quartz Winning	78503	8	11
Hauling & Pumping £18786 10; Crushing & Sorting	4828	8	7
Transport of Quartz £2707 9 8; Milling	34335	4	9
Cyanide Exs. £22254 18 9; Mine Development Exs.	24375	5	10
Gold produced at:—Battery	138787	8	4
Ditto Cyanide Works	70692	8	-
Cash in hand for Dividends outstanding	330	1	10
Investments £545; Cash at Mine	25	17	10

Answer.—*Gross* £23688 9 10; *Net* £4436 9 6; B/S. £327766 19 5.

Exercise 117.

Prepare P/L. A/c., Appropriation A/c., and B/S. of the Punctured Tyre Co., Ltd., for the year ending 31st March, 1908. 1,000,000 Pref., 1,000,000 Ord., 2,000,000 Deferred Shares, all of £1 each.

Unpaid Calls	£831	-	-	Bal. from last a/c. after paying managing director's commission ...	£19735	14	1
10000 Debs. £100 each ..	1000000	-	-				
Debenture purchases and held in reserve by Co. ...	452800	-	-	Portion of profit placed to patent reserve a/c. ...	50000	-	-
Patent Rights & Goodwill	4262850	1	8	Transfer Fees	2112	2	6
Debtors	352272	4	10	Plant, Machinery, fittings & furnishings	31386	18	11
General Reserve	250000	-	-				
Creditors, including Bank over-draft	207062	1	11	Additional outlay thereon during the year	17795	5	1
Stocks on hand	165412	15	8				
Investments at cost ...	406969	18	9	Depreciation of Plant, &c.	3138	14	-
Directors' & Trustees' fees	3323	6	10	Portion of profit placed to special reserve a/c. ...	50000	-	-
Paid int. on Debs. to 31st March, 1908	22000	-	-				
Tranferred to Reserve for unpaid rebates	22933	12	4	Royalties, net profits on trading, including dividends on investments received or accrued, &c.	468510	18	1
Freeholds and Leaseholds	65764	13	5				
Outlay thereon during year	13676	3	1	Portion of profit placed to general reserve a/c. ...	70000	-	-
Cash and Bills at Bankers and on hand	152868	8	4				

Answer.—*Profit* £442160 19 9. *Appropriation a/c. Bal.* £268963 1 6.

Exercise 118.

Prepare P/L. A/c. and B/S. of the Rochester Electric Lighting Co., Ltd., on 31st Dec., 1908. Cap. subscribed in 2027 shares of £5 each £10135; Cap. allotted under contracts, 1863 shares of £5 each £9315; Creditors for plant, machinery, stores, etc., £1028 - 2.

Salaries paid	£364	6	10	Cash in hand	£4	4	11
Engine-room wages	227	19	-	Unpaid Cap. on 27 shares £5	81	-	-
Installation and sale of lamps	177	9	3	Arrears of Share Calls ...	2	10	-
Meter rents received... ...	61	2	4	Work in Progress	9315	-	-
Gross amount of charges for electric current	2064	14	6	Stamps, Stationery, &c., consumed	17	9	1
Due to London & Provincial Bank on Loan	3000	-	-	Dep. of Suspense A/c. ...	91	2	10
Value of Buildings	2546	6	11	Depreciation of Stores ...	240	1	9
Main Circuits	4325	16	4	Value of Plant and Machy....	8410	14	2
Insurance paid	41	5	-	Electrical Instruments ...	399	19	11
Unexpired portion	13	17	6	Book Debts	1035	18	3
Repairs...	354	9	3	Discount and Allow. made ...	209	11	6
Rent, Rates and Taxes ...	64	6	-	Wiremen's Wages	31	14	3
Due to Hy. Jasper bal. of 5% loan	2667	13	6	Stores, Lamps, fittings in stock	874	14	6
Due to Hy. Jasper bal. of 6% loan	589	1	11	Engine-room stores in stock	36	17	6
Paid for coal consumed wharfage and cartage ...	846	8	4	Coal in stock	20	12	-
Overdraft at Bank	1104	13	8	Stationery in stock	10	-	-
Incidental Expenses	18	13	5	Electrical stores and fittings consumed	145	14	6
Auditors' Fees...	15	15	-	Meters in stock	453	17	10
Balance from last year ...	215	16	10	Arc lamp plant	177	-	-
Engine-room stores consumed	81	4	10	Office Furniture	48	19	11
				Interest paid	262	7	3
				Tools	102	11	1

Answer.—*Net Loss for year* £695 5 3. *B/S. Deficiency* £479 8 5.

Exercise 119.

Prepare a Revenue A/c. and B/S. of the New York & Ohio Mortgage Trust on 31st Dec., 1907. Cap. A/c. £138150, 4% Deb. Stock Issued £138150; Cost of property originally purchased £250097 15 6: Investments made during year £25923 16 6; Creditors £25 15; Unclaimed int. and div. £79 14 10; Int. Deb. Stock (less tax) paid £2838 14 6; Accrued £2283 1 6; Interim div. paid 31st July £690; Income Tax Suspense A/c. Dr. Bal. £57 11 3; Trustees' remuneration £200; Int. recd. on securities £7974 7 6; Income Tax paid £14 6 5; Transfer fees recd. £58 7 6; General Exs. £385 15 11; Cash at Bank, viz. :—On deposit £4500; On Cap. A/c. £278 8; On Income A/c. £253 2 1; On Interest and Dividend A/c. £79 14 10; Balance from last A/c. £881 0 2.

Answer.—*Net Profit* £2310 16 8; *Undivided Profit* £2501 16 10.

Exercise 120.

Prepare P/L A/c. and B/S. of the National Discount Co., Ltd., on 31st Dec., 1907. Gross Profits during the half-year £87488 3 9; Income Tax paid £740 9 10; Cap. 169333 shares of £5 per share £846665; Reserve Fund £460000; Balance b/f. from last a/c. £3361 0 7; Directors' and Auditors' remuneration £2650; Freehold Premises £108465 14 1; Int. due on Deposits, Rebate and Sundry Cr. Bals. £147328 10 2; B/R. discounted on hand £8275541 18 6; Current exs. and salaries £8318 16 2; Interest due on Invests. and Loans and sundry Dr. bals. £19958 5 3; Liab. on Deposits, Loans, and Bills re-discounted £10414208 4 8; Cash, Consols, and other Securities £1961824 5 1; Six mos. div.. at 11% per ann. on cap. £46566 11 6; Loans at call, short and fixed dates £1553361 3 4; Rebate on Int. on Bills not due, carried to new a/c. £28190 6 11.

Answer.—*Net Profit* £47588 10 10; *Undivided Profit* £4382 19 11.

Exercise 121. (Bankruptcy page 425). (*C.A. Intermediate*).

Prepare Statement of Affairs on 9th July, 1906, of "The Sandy Freehold Land Society." Unsecured Crs. £200000; Crs. fully secured £6000; Property held by secured Crs. £12000; Crs. for Rates, Taxes and Wages (preferential) £300; Assets B/E. (good) £22; Book Debts £27000; Good £1000, Doubtful £25000 (produce £2000), Remainder bad; Property £56000; Loans on Mortgage (produce £60000) £170000; Office Furniture, &c. £100; Cash at Bankers £900, at office £100. **Answer.**—*Deficiency* £74178.

Exercise 122. (Bankruptcy, page 425). (*C.A. Final*).

Prepare Statement of Affairs and Deficiency A/c. as on the 10th Oct., 1907, of Wm. Corby. Cash in hand £85; Book Debts £3472 estimated to produce £2869; Unfinished contract in hand, estimated to produce £3000 over and above the cost of completing it; Plant, tools, &c., cost £1880, estimated to realise £500; Office Furniture estimated to realise £25; Stock-in-trade valued at £1900; Investments valued £6200, of which are deposited with bankers as security for loan £5460; Life policies for £2000, of the estimated

surrender value of £1470, subject to advances made by the Insurance Co., amounting to £1420; Unsecured Crs. on Trade a/c. £4140; Unsecured Crs. for cash advanced £5308; W. Smith for two mos. wages due to him as clerk, £30; A. Compton, six mos. salary due to him at £15 per month; Rent recoverable by distress £45; Bankers for loans partly secured £10134 (estimated value of securities held by bankers £7460 viz.—Investments £5460 and Lease £2000); Capital A/c. on 1st January, 1907, as shown by the books £189; Loss on Trading from 1st Jan. to 10th Oct., 1907, £374; Loss on sale of investments made on 13th June, 1907, £200; Drawings £750. **Answer.**—*Deficiency* £3118; *Total B/S.* £12162.

Exercise 123 (Bankruptcy, page 425). (*C. A. Final*).

Prepare Statement of Affairs and Deficiency A/c. of Mr. Alfred Sykes. on 31st Dec., 1908. Good book debts in England £6650; Doubtful £5000; Bad £4500; Properties, stock and book debts, in Brazil £32000; Warehouse in England £26000; Stock in warehouse £1000; and at Bleachers' and Finishers' £4750; Fixtures, hoist, &c. £500; Cash at Bank £1; in hand £5; Creditors £65000, of which £250 is for wages and taxes, £20000 is in respect of a mortgage on the warehouse building, and £7500 is for bleaching and finishing; B/P. £14500; and there is a liability of £3000 in respect of B/Rs. which, however, is not expected to rank. Assume that stock, doubtful debts, and fixtures in England will realise two-thirds and the properties, stock and book debts abroad one-half of their face-value. On 1st Jan., 1904, he had a capital of £30000. After charging int. thereon at the rate of £1500 a year, and paying £800 a year for int. upon the warehouse mortgage, in the first 3 years he made profits of £4200, £3700 and £800 respectively; and in the last 2 years losses of £6400 and £7894. His withdrawals amounted to £6200 a year. **Answer.**—*Deficiency* £21760 13 4.

Exercise 124 (*C.A. Final*).

Broadbent & Co., Ltd., is formed with a cap. of 20000 shares of £5 each. Of these 15000 are offered for private subscription, £1 per share being payable on application and £1 10 - on allotment. 14000 shares were applied for by the following persons in their respective proportions:—Chas. Norton 1000 shares; Hy. Onslow 1250; Andrew Smith 1000; Septimus Dixon 1000; Fenwick Robson 1500; Leonard Andrews 1500; Thos. Hardy 1000; Chas. Chater 2000; Howard Ingram 3000; Robt. Reay 750. The directors allot 12500 shares only, no allotment at all being made to Hardy, and 2500 only to Ingram. The deposit made by Hardy is returned to him, and the amount paid on application by Ingram on the shares in excess of the number allotted to him is applied in partial satisfaction of the amount payable on allotment, the bal. being afterwards duly paid. All the other allottees also paid the amount due from them. Two months after the date of allotment a call of £1 10 - per share was made, and paid by all the shareholders, with the exception of Robt Reay. All the sums recd. from applicants and shareholders are paid direct to the Bankers of the Co. The

directors purchased from Brigham & Co. their business, for £80000. The purchase price was paid as follows :—£30000 in fully-paid shares of the Company ; £20000 in 5% first mortgage debentures ; and £30000 in cash. Make necessary Cash Book and Journal entries, post them, and take out a T.B.

Exercise 125 (Income Tax, page 269). (*C. A. Final*).

Prepare the statement of Smithson & Co. showing the amount on which they should be assessed for income tax under Schedule D for the year 1901-2. The annual rent of the leasehold premises £40 is debited to Trading A/c. which is also debited with amounts paid for income tax—1898, £25 ; 1899, £35 ; 1900, £50. The assessments each year under Sch. A. have been, in respect of leasehold on £90, and freehold on £300.

Profit and Loss A/c., 31st December, 1898.

Interest on Loans	£500	Balance from Trading A/c. ...	£3760
Bad Debts	600		
Interest on Capital	1000		
Profit	1660		

Profit and Loss A/c., 31st December, 1899.

Bank Interest and Charges	£250	Balance from Trading A/c. ...	£2300
Interest on Loans	500	*Loss*	50
Bad Debts	750		
Interest on Capital	850		

Profit and Loss A/c., 31st December, 1900.

Bank Interest and Charges	£50	Balance from Trading A/c. ...	£3000
Interest on Loans	1050		
Bad Debts	300		
Interest on Capital	950		
Profit	650		

Answer.—*Profits* £2835 ; £985 ; £2350 ; *Average* £2056 13 4.

Exercise 126.

From the following T.B of Kaye & Stewart, Ltd., prepare Trading, P/L. and Appropriation A/cs. and B/S. at 31st Dec., 1900 :—Charge Depreciation on buildings at 3% per ann , on machy, at 6% ; credit to bad debts reserve ½% on sales, £136600 ; write down patents by 10% ; reserve 1½% dis. on debtors (£779 7 1). **Stock** at 31st Dec., 1900 is £22600 18 -. Appropriate 10% on net profits as remuneration to managing director ; £500 as directors' fees ; £3500 for Reserve Fund, and 10% as div. on Cap., and c/f. the balance.

Dr. Balances—		**Dr. Balances** continued—	
Stock, 1st January ..	£32400 12 6	Bank charges & interest...	£387 17 6
Cash	120 6 -	Land & Buildings ...	22300 - -
Bank	4208 14 -	Plant & Machinery ...	37960 - -
Purchases	52365 17 -	Debtors	52640 - -
Manufacturing Charges..	11575 - -	Patents	7700 - -
Wages	28555 4 -	**Cr. Balances**—	
Salaries	1525 - -	10000 Shares at £10 ...	100000 - -
Sale Expenses	6860 - -	Sales	136590 10 -
Rates and Taxes ...	222 - -	Discount	579 - -
Insurance...	190 - -	Creditors	20862 4 6
General Expenses ...	2640 10 -	Bad Debts reserve ...	888 - -
Discount	2473 - -	P/L. Bal. 31st Dec., 1899	779 6 6
Bad Debts written off ...	575 - -	Reserve Fund	5000 - -

Answer.—*Gross* £34294 14 6 ; *Net* £15709 7 11 ; *Bal. c/f.* £917 15 7.

Exercise 127. (*C.A. Intermediate*).

Prepare P/L. A/c. and B/S. from the following T.B. of the "Waverley Hotel Co., Ltd.," as at the 30th June, 1902:—**Cr. Balances:** Share Cap. 2000 Shares fully-paid, £20000; Mortgage Debentures 6%, £8000; Crs., £2750; B/P., £825; Cr. for Debenture Int., £480; General Receipts, £14450; Hire of Assembly Room, £1295. **Dr. Balances:** Debtors, £1750; Cash at Bank and in hand £2850; P. & L. bal. 1st July, 1901, £1450; Goods purchased including stock on hand 1st July, 1901, £14950; Rent, rates and taxes, £3350; Salaries and wages, £3050; General Exs., £650; Repairs and Alterations, £475; Int. on Debentures due, £480; Directors' fees, £300; Hotel Furniture, £18495. **Stock** £4750.

Answer.—*Net Loss* £2760; *Total Deficiency* £4210; *B/S.* £32055.

Exercise 128. (*C.A. Intermediate*).

1. The Washington Manufacturing Co., Ltd., issued cap. in Pref. Shares 4000 at £10 each, Ordy. Shares 6000 at £10 each, also Debentures 300 at £100 each. The Debentures are payable at £10 each on application, £20 on allotment, and £70 at 3 mos. The Pref. Shares at £1 on application, £3 on allotment, and £3 each at 3 and 6 mos. The Ordy. Shares are allotted to Vendors as fully-paid. The vendors are Paul Jacob and Simon Montfort in equal shares, and the property taken over from them may be treated in one item as £60000, as on 1st Feb., 1902, which is the date of allotment. Set out the Journal entries under their respective dates, credit in Cash paid to Bank the amounts recd. at due dates, and prove by T.B. **2.** This Company at 31st Jan., 1903, had made profits amounting to £10650 (after charging income tax), to be apportioned as follows:—Directors' Fees £1000; Reserve Fund £2000; Debenture Int. at 5%, Pref. Shares at 6%, and appropriate the rest in Dividend on Ordy. Shares at an even rate per cent., carrying forward not less than £900. Income Tax at 6d. in the £ deducted from Deb Int. and Pref. Div. Make out the Appropriation A/c. **Answer.**—*Bal. c/f.* £1097 2 7; *Ordy. div.* 5%.

Exercise 129. (*C.A. Intermediate*).

From the T.B. of a Colonial Colliery at the 31st Dec., 1907, prepare Trading, P/L. A/cs. and B/S. The Share Cap. is £250000 in shares of £1 each, of which 120000 shares are fully paid up; 80000 shares are 15/- paid up, and 50000 shares are 2/6 paid up:—

Dr. Balances—	
Bank	£16406
Cash	66
Maintenance & Renewal of Ry. Rolling Stock, Plant, etc.	1772
General Management Exs. in Australia including Sals. Trav. Exs., Rent, and Petty Exs.	955
B/R.	3154
Cash on Deposit	24755
Directors' Fees	600
Colliery General Working Exs. Carr. and Shipping Charges.	34085
Auditors' Fees	142
London Expenses	847
Dr. Balances continued—	
Div. paid 7th Nov., 1907	£8000
Debtors	15341
Cost of Properties	199094
Cr. Balances—	
Share Capital	186250
Int. Rents, & Transfer Fees	491
Sales of Coal	45452
Reserve Fund	50000
Call of 5/- per sh. on 80000 (part paid in advance)	8635
P. & L. A/c. 31st Dec., 1906	10513
Unpaid Dividends	657
Creditors	3219

Answer.—*Gross Profit* £9595; *Net* £7542; *Total B/S.* £258816.

Exercise 130 (Bankruptcy, page 425.) (*C.A. Final*).

Prepare Statement of Affairs and Deficiency A/c. of Messrs. Jones and Co., on 31st Dec., 1900. The firm commenced business on 1st Jan., 1896, with a cap. of £25000. The trading after charging int. upon cap. at £1000 a year, resulted in a profit for 1896 of £602, and in losses in the subsequent respective years of £370, £450, £500 and £700. The Drawings of the partners were at the rate of £900 a year; and £1500 had been expended during the 5 years upon Patents and Experiments, and at the date of Bankruptcy stood in the books at that sum. Unsecured Crs. £15050; Crs. partly secured £19080 (holding security, as stated by the books, of the value of £18100, but which is only estimated to realise £6000); Crs. for Wages, Taxes, &c. £500; B/R. discounted £2060 (upon which it is estimated there will be a liability of £280); Stock-in-Trade £10100 (which is estimated to realise £8000); Book Debts, good, £7860, doubtful and bad £650 (estimated to realise £178); Land and Buildings £8000 (estimated to realise £5000); Machinery and Plant £12500 (estimated to realise £5500); Cash in hand £2.

Answer.—*Deficiency* £2370; *Total of B/S.* £28410.

Exercise 131 (*C.A. Final*).

The Manufacturing Co., Ltd., is floated to take over an existing business with a nominal cap. of £200000, divided into 20000 shares of £10 each, of which 15000 are subscribed and allotted (exclusive of the Vendors' Shares). £1 per share is paid on application and £4 per share on allotment on all the shares except those issued to the Vendors. The Vendors agree to accept the purchase money of their business, amounting to £72000, in shares and cash—as to £50000 in fully paid shares and as to £22000 in cash. The Assets purchased by the Co. consist of Book Debts £21500; Stock-in-trade £25000; Furniture & Fittings £500; and Goodwill £25000; and the cash portion of the purchase money is payable 7 days after the allotment of the shares taking place on the 30th June, 1903. Make the entries in the Cash Book and General Ledger of the Company necessary to record these transactions.

Exercise 132 (*C.A. Final*).

The Herald Publishing Co., Ltd., has a Share Cap. of £22500 divided into 2250 shares of £10 each. Prepare Trading & P. & L. A/cs. and B/S. for the year ended on the 31st Dec., 1909, from the following T.B.:—**Stock** at 31st Dec., 1909, £5822. £23 has to be written off the Lease and £250 for decrease in valuation of the Copyrights, and reserve £235 for Doubtful Debts. Due 31st Dec., 1909, but have not been put through the books, viz.—Directors' Fees £97; Salaries £16; Rates & Taxes £84; Rent £47; Interest on Debentures £186; Discount on open a/cs. £89; Trade Expenses £27; Interest on Mortgage £4.

Dr. Balances—	
Div. paid 31st August, 1909	£2250
Stock, 31st January, 1909	6637
Purchases	13424
Discounts	5
Rents	136
Wages	600
Fixtures & Fittings	106
Lease of Premises	1727
Freehold Premises	2000
Cash	3
Trade Expenses	183
Rates and Taxes	69
Law Costs	35
Salaries	355
Directors' Fees	292
Interest	15
Goodwill	25000
Copyrights	7918

Dr. Balances continued—	
Returns (Sales)	£330
Bills Receivable	294
Cash at Bank	2179
Int. on Debentures	581
Debtors in Trade Ledger	2865
,, in Customers' Ledger	925
Cr. Balances—	
Share Capital	22500
Debentures	15500
Sales	19785
Returns (Purchases)	22
P. & L. Bal. 1st Jan.	3682
Bad Debts Res. 1st Jan.	144
Rents Receivable	37
Sundry Creditors—	
In Author's Ledger	2358
In Trade Ledger	2901

Answer.—*Gross Profit* £5638; *Net* £3090; *Undivided* £4522.

Exercise 133 (Income Tax, page 269).

Prepare a Statement of John Bull showing amount returnable for Income Tax Assessment under Sch. D, and what deductions should be claimed therefrom for the year ending April, 1904.

Year ended 31st December.	1900.	1901.	1902.
Profit	£1100		£300
Loss		£50	
The following items had been charged before arriving at the P/L. :-			
Interest on Mortgage	60	60	60
Interest on Capital	400	450	380
Depreciation of Plant	150	150	180
Paid Income Tax, Schedule D	25	35	30
Ditto Sch. A, at 6d., in respect of Premises	5	6	6
Life Insurance Prem., charged to Drawg. A/c.	25	25	25

Answer.—*Profits* £1540, £411, £716; *Average* £889.

Exercise 134 (*C.A. Final*).

1. "The Wharfeside Steel Co., Ltd.," came into existence on the 1st Jan., 1903, having a cap. of £40000 in 8000 Shares of £5 each, £1 to be paid on allotment, £1 on the 1st Mar., and £1 on the 1st of June. Freehold land value £2500 was purchased and buildings erected thereon, at a cost of £11250. There was also expended in plant and machinery £3750, in office furniture and fittings £175, and the expenses attendant upon the formation of the Co. amounted to £375. The works were completed by the 30th June and all liabilities in connection therewith were discharged at that date; there were, however, outstanding as arrears upon the allotment £175, upon the 1st call £280, and upon 2nd call £345. There was Cash at Yorkshire Bank £5150. Make the necessary entries for these transactions, prepare B/S. as on 30th June. (*B/S. Total* £23200.)

2. On the 31st Dec., **Stock** was taken (which amounted to £7800). From the following T.B. prepare Trading & P/L. A/cs. and B/S. after depreciating Freehold Buildings 1½% per ann.,

Machinery and Plant 10% per ann., Furniture, &c., 7½% per ann., Preliminary exs. one-sixth. **Cr. Balances:**—Cap. £24000; Sales, £17500; Creditors, £2375. **Dr. Balances:**—Freehold land £2500; Buildings, £11250; Machinery and Plant, £3750; Office Furniture and Fittings, £175; Wages, £4000; Formation exs. £375; Calls in arrear; Allotment £130, First Call £100, Second Call £120; Purchases £12375; Salaries £2200; Directors and Auditors' Fees, £475; Printing, Stationery, &c., £120; General Office Exs., £180; Rates, Taxes, and Insurance, £60; Book Debts, £2940; Yorkshire Bank, £3125. **Answer.**—*Gross Profit* £8925; *Net* £5549 1 3.

Exercise 135 (Royalties, page 444.) (*C.A. Final.*)

On the 1st Jan., 1901, Jas. Fincham became the lessee of a Chalk Pit on the terms of paying a minimum or dead rental of £1000 per ann., merging in a royalty of 4d. per ton. The output in the year 1901 was 30000 tons, in 1902 it was 40000 tons, and in 1903 70000 tons. Show how you would deal with the Royalty and Rental in Fincham's books, the lease providing that dead rent not merged in royalty could be deducted out of future royalty in excess of the minimum, on the footing that Fincham would in the course of five years have increased the output to at least 300000 tons.

Exercise 136 (*C.A. Final*).

The Middleton Colliery Co., Ltd., T.B. on the 30th June, 1904, is given below. **Stock** £2531. Make out Trading, P/L. A/cs. showing average cost and profit per ton, to the third decimal, and prepare B/S. Due provision has been made for depreciation, and the output for the year has been 1055144 tons.

Dr. Balances—		**Dr. Balances** continued—	
Leasehold Colliery Plant, Machinery, &c.	£600000	Surface Damages	£1340
New Works Expenditure	11416	Dis. and Allowances	13398
Debtors	77970	Salaries	5499
Bills Receivable	7404	Directors' and Auditors' Fees and Law charges	3954
National Mercantile Bank	15358	Rates, Taxes and Insce.	8051
Stocks, Stores and Materials	15480	General Office Exs.	3741
Coal Stock, 1st July, 1903	1749	Subscriptions and Donations	1790
Interim Div. A/c., 1st Jan.	45000		
Wages	263647	**Cr. Balances**—	
Rents and Royalities	35791	Cap 60000 shares at £10	600000
Pit Wood, Stores, &c.	52044	Reserve Fund	24314
Coal for Colliery use	19752	P. & L. Undivided Profit	18078
Horses and Horse-keep	13383	Creditors	73210
Waggon Hire, Freight & Carr.	42841	Coal and Coke Sales	524004

Answer.—*Gross Profit* £95988; *Net* £59557; *Undivided* £32635.

Exercise 137 (Bankruptcy page 425). (*C.A. Final*).

Prepare Statement of Affairs and Deficiency A/c. as on 1st July, 1907, of Thomas Campbell, merchant, trading to the West Coast of Africa; Unsecured Crs. £8830; Fully-secured Crs. £2352; (who hold security of the cost value of £2630); Partly Secured Crs. £37697; (who hold securities of the cost value of £18098); Preferential Crs. £822; B/P. £20066; B/R. (discounted) £5833, of which £1000 is expected to rank; Book Debts in England (good) £1341;

doubtful £170; estimated to produce £85; bad £34; Stock in Liverpool at cost, £1306, estimated at £1200; Stock & Book Debts (less sundry liabilities) on the Coast, cost £36584; estimated loss on realisation £13224, of Stock £5638, and of Book Debts £7586; Four Station Buildings, Plant, Steamers and Carrying Craft £40000, expected to realise £20000; Office Furniture £289, estimated to realise £200; Cash in hand £4, at Bankers £80. On 1st July, 1902, he had a cap. of £42000, profits appearing to have been made in 1902-3 and 1903-4 of £5000 and £4000 respectively, and losses in the three subsequent years of £2100, £2600 and £3031 respectively, allowing £2000 a year for interest upon capital and his withdrawals having been at the rate of £4500 a year.

Answer.—*Deficiency* £3769. *Total of B/S.* £49495.

Exercise 138 (*C.A. Final*).

Prepare B/S., Trading, P/L. A/cs., of the Kingbury Brewery, Ltd., for the year ending 30th June, 1905 (**Stock** £6500), from the following. Registered cap., viz.:—4000 6% Pref. Shares of £10 each, £4000; 4000 Ord. Shares of £10 each, £40000.

Dr. Balances—	
Brewery Plant & Casks	£40500
Directors' Fees	500
Loans to Customers	1200
Debtors	3500
Bank	3000
Cash	150
Purchases	6200
Excise Duty	3000
Goodwill	25000
Wages	900
General Expenses	800
Trade Discounts	5000
Bad Debts	100
Depreciation	2500
Rents paid	2000
Dr. Balances continued—	
Interim Dividend paid	£1100
Debenture Interest paid	500
Stock, 30th June, 1904	5000
Cr. Balances—	
Subscribed and Called-up Cap., viz.:—	
2000 6% Pref Shs. of £10 each	20000
2000 Ord. Shs. of £10 each	20000
5% Debentures	20000
Creditors	2300
Reserve A/c.	10000
Sales	24000
Rents received	3000
Balance of profits b/f. from 30th June, 1904	1650

Answer.—*Gross Profit* £10400; *Net* £6500; *Undivided* £7050.

Exercise 139 (Royalties, page 444). (*C.A. Inter.*)

The Leeds Colliery Co. acquires a lease of a mineral area for a term of 60 years at a minimum certain rent of £500 per ann. merging into a royalty of sixpence per ton on coal worked in periods, each of three years. Assuming the royalties on coal worked during the first year amounted to £100, in the second year £400, and in the third to £700 (leaving £300 of certain rent forfeited), make Journal and Cash Book entries and post to Ledger A/c. on the basis of the first two years' rent having been paid at the end of each year, and the rent of the last year being unpaid, showing the amount chargeable to P/L. in each year.

Exercise 140.

Prepare Trading, P/L. A/cs. and B/S. for the year ended 31st Dec., 1905, from the T/B. of the books of John Williamson & Co., Ltd., Manufacturers. Write off depreciation on patents and machinery at 5% per ann., and on loose tools at 12½% per ann. Provide 5% to cover doubtful book debts. **Stock** at 31st December, 1905, £16350.

Dr. Balances—	
Freehold Land & Buildings	£35000
Machinery & Plant	27000
Loose Tools	1000
Stock at 1st January, 1905	17500
Material Bought	23750
Wages	9000
Office Salaries & Travellers	2500
Coal and Coke	1300
Rates and Taxes	480
Discounts	820
Bank	3500
Debtors	6800

Dr. Balances continued—	
Cash	£90
Bad Debts	125
Returns	1880
Repairs	405
Interest on Debentures	800
Patents (costs)	13170
Cr. Balances—	
Issued Capital	70000
Debentures	20000
Creditors	2070
Sales	53000

Ans.—*Gross Profit* £15920; *Net* £8366 10; *Total B/S.* £100436 10.

Exercise 141.—(Income Tax, page 269.) (*C.A. Final.*)

Prepare Income Tax Return, Thomas Thorp, showing the amount payable under Schedule D for the year ending 5th April, 1907, from the following:—Net balance of P. & L. A/cs.—1903, profit £1000; 1904, loss £200; 1905, profit £800. The following had been debited to the a/cs. before arriving at these balances:—Ground rent of leasehold premises occupied for the purposes of the business £20 a year; Income Tax at 8d. (Schedule A) for same premises £10; Income Tax (Schedule D) 1903, £12; 1904, £14; 1905, £20; Int. on Mortgage of £2000 at 4%; Bank Int. 1903, £20; 1904, £17; 1905, £30; £20 a year had been written off on account of goodwill, and £10 a week had been drawn by the principal for salary.

Answer.—*Profits* £1362; £164; £1170; *Average* £898 13 4.

Exercise 142. (*C.A. Final.*)

Prepare Trading, P/L. A/cs. and B/S. from the T/B. at 30th June, 1906, of the Pottery Co., Ltd. Nominal Cap. £10000 in £10 shares. **Stock**, 30th June, 1906:—Earthenware £800; Cratewood, &c. £200; Clay £800; Coal, &c. £200. Write off Depreciations—Machinery and plant, 5%, land and buildings, 2½%, tools, &c., 5%, provision for bad debts and discounts 5%, off debtors.

Dr. Balances—	
Calls in Arrear	£200
Land & Buildings	2000
Plant & Machinery	2500
Loose Tools, &c.	500
Horses & Carts	300
Stocks, 30th June, 1905:—	
Earthenware	1000
Cratewood, Packing, &c.	250
Clay	1000
Coal and Sundries	250
Debtors	3000
Straw, Cratewood, &c.	600
Coal, Coke, &c.	300
Clay	2500
Wages	6500
Horse and Cart Expenses	300
Carriage	500

Dr. Balances continued—	
Repairing & replacing Plant	£150
Do. do. Loose Tools	50
Do. do. Buildings	100
Rates and Taxes	50
Gas and Water	50
Bills Receivable	1200
Incidental Expenses	200
Bank	450
Cash	50
Cr. Balances—	
Capital, 900 Shares paid up	9000
P. & L. A/c.	200
Creditors	1000
Sales	12000
Packing, &c.	1000
Bills Payable	800

Answer.—*Gross Profit* £2100; *Net* £850; *Undivided* £1050.

Exercise 143 (*C.A. Final.*)

The Auto-Car Manufacturing Co., Ltd., purchased certain patents from Morgan & Evans under an agreement dated 15th July, 1906, at a cost of £55000, £5000 of which was to be paid to the vendors in cash, and £50000 in fully-paid £10 ordy. shares. The Co. issued cap. to the extent of £100000—£75000 in £10 ordy. shares (£1 on application, £4 on allotment, and £5 at the end of 3 months), and £25000 in £25 5% pref. shares (£5 on application, £10 on allotment, and £10 at the end of 3 months). The patents passed to the Co. according to the agreement on 31st July, which was also the date of allotment. The shares were fully subscribed and duly paid for; the cash being paid direct to the Co.'s bankers. Make the Cash Book and Journal entries for the above, post to Ledger A/cs., and make Trial Balance.

Exercise 144 (Income Tax, page 269). (*C.A. Final.*)

The P. & L. A/c. of a Company, owning its own premises assessed at £3234, shows a profit for the year ending 31st Dec., 1907, of £9253, in arriving at which Directors' Fees £1750, Income and Property Tax £1487, Interest on Loans £200, Depreciation of Buildings £100, of Plant £182, and of Fixtures £95, and Subscriptions and Donations £75, have been charged, and £96 income from an investment in £2500 Debenture Stock of a Company has been credited. The agreed figures of the two previous years are £5915 and £7745, and the rate of depreciation of Machinery, which stood at the beginning of the year at £2430 and to which there has been added in the year £280, has been agreed at 7½%. Make out the Income Tax Return for 1908-9. **Ans.**—*Average Profit*, £7240 13 4.

Exercise 145 (*C.A. Intermediate*).

Prepare as on the 31st March, 1907, Trading, P/L. A/cs. and B/S. of L. Bentley & Co, Ltd., the **Stock** at that date being £9640.

Capital	£14016	Rent	£2911
Creditors	17460	Rates & Taxes	913
Bills payable	735	Gas, Electric Light & Water	462
P. & L. Balance from 1906	2426	Salaries	710
Interim Dividend paid	1401	Wages	3817
Cash:—On Deposit	5105	Premiums & Commissions	1451
at Bank	294	Advertisements	943
in hand	266	Price Lists, Printing & Postages	1662
Leases	12314	Housekeeping	1240
Fixtures & Furniture	311	Carriage, Paper & String	1612
Debtors	1699	General Trade Exs.	395
Insurance paid £182, of which £54 is unexpired	128	Interest	581
Goodwill	12000	Discounts allowed	57
Stock, 31st March, 1906	10047	Annual Painting of Premises	79
Purchases	61217	Bad Debts	97
Sales	85683	Depreciation of Leases	289
Discounts obtained	2006	Auditors' Fees	75
		Preliminary Exs. written off	246

Answer.—*Gross Profit* £18630; *Net* £8447; *Undivided* £9472.

Exercise 146 (Banking). (*C.A. Intermediate*).

Prepare P/L. A/c. and B/S. of the Thrifty Bank for the 31st Dec., 1906, **Cr. Balances:**—Cap. £114430; Reserves £145210; Notes Issued £39705; Customers' Credit Balances £897530; Unpaid Dividends £240; Gross Profits £32490; Bal. of Profit, 1905, b/f. £1560. **Dr. Balances:**—Bad Debts £3000; Expenses £11505; Interim Div. paid £5720; Cash in hand £38135; Cash at Call £44230; Investments £328465; Stamps in hand £505; Premises £37250; Customers' Debit Balances £762355.

Answer.—*Net Profit* £17985; *B/S. Total* £1210940; *Undivided* £13825.

Exercise 147 (*C.A. Final*).

Draw Trading, P/L. A/cs., and B/S. for the year at 31st Dec., 1906, of the Oil and Gas Motor Co., Ltd. The nominal Cap. is £25000 in £10 shares. Write off Depreciations—Land & Buildings 3%, Plant & Machinery 5%, Patterns 10%, Patents 10%, Office Furniture 5%, and make a provision of 6% on the Debtors for discounts and bad debts. On 31st December, 1906, the **Stock** was £9500, and Loose Tools £2300.

Dr. Balances—	
Land & Balances	£5000
Plant & Machinery	8800
Patterns	3300
Stock-in-trade, 31st Dec., 1905	9000
Office Fittings & Furniture	400
Loose Tools, valued 31st December, 1905	2500
Patents	1000
Debtors	10500
Cash in hand	100
P. & L. A/c. 31st Dec., 1905	4270
Purchases	19000
Wages (Manufacturing)	11800
Erecting, Fitting & Carriage	2400
Repairs, Renewals & Maintenance	800
Coal, Coke, Gas & Water	450
Dr. Balances continued—	
Printing, Advertising & Stationery	£250
Rents, Rates, Taxes & Insce.	260
Travelling & Commission	1400
General Expenses	450
Directors' Fees	100
Interest on Debentures	900
Bank Interest & Commission	70
Legal & Accountancy	150
Royalties	200
Cr. Balances—	
Subscribed Capital	20000
Debentures 6%	15000
Creditors	7000
Bank Overdraft	900
Sales	40000
Discounts & Bad Debts	200

Answer.—*Gross Profit* £7100; *Net* £600; *Deficiency* £3670.

Exercise 148 (*C.A. Intermediate*).

The Stanley Colliery Co., Ltd., was formed on 1st June, 1906. The number of shares issued was 5557 £1 shares, on which 5/- per share had been called up and 8000 shares issued to the vendor as fully paid in part payment for the property. During the year no mining was done pending the completion of machinery. Draw a B/S. from the T/B. at the 31st May, 1907:—**Cr. Balances:** F. Wilson £2750; Share Cap. £9389 5; Harrison & Co. £3900; Loan £250; Outstanding A/cs. (salary and rent) £37 10; Thompson & Co. £79 2; Transfer Fee 2s. 6d. **Dr. Balances:** Calls in arrear £298; Property £15000; Preliminary Exs. £155 15 6; Printing and Stationery £13 15; Petty Exs. 3s. 2d; Cables, Postages & Telegrams £5 18 5; Salaries £361 13 11; Office Rent £112 10; Office Exs. £5 13 11; Machy., &c. £400; Int. £3 1; Cash £49 8 7. (*B/S. Total* £16107 17.)

Exercise 149 (Double A/c. System, p. 419). (*C.A. Final.*)

After providing Depreciation on Building 2½%, Machinery 7½%, Mains 5%, Transformers, &c. 10%, Meters and Electrical Instruments 15%, prepare Revenue A/c., Net Revenue A/c., Cap. A/c. and B/S. from the following T.B., of the Dynamo Electric Lighting Co., Ltd., as on 30th June, 1903. A call of £1 per share was payable on 31st Dec., 1902, and arrears are subject to interest at 5% per ann.

30 June 02.	Capital	£	£
£	Nominal 10000 Shares of £10 each.		
20000	Subscribed 5000 ,, ,, £5 paid		25000
15000	Debentures 6% Interest		15000
1000	Depreciation Fund		1000
	Calls in arrear	1000	
9300	Freehold Land	9300	
4000	Buildings	5000	
6000	Machinery at Station	10000	
5000	Mains	8000	
1000	Transformers, Motors, &c.	2000	
500	Meters	1500	
300	Electrical Instruments	400	
1600	General Stores (Cables, Mains & Lamps) in Stock	2350	
250	Office Furniture	250	
	Coal and Fuel	1900	
	Oil, Waste, & Engine Room Stores	750	
	Coal, Oil, Waste. &c., in Stock	100	
	Wages at Station	3000	
	Repairs & Replacements	500	
	Rates & Taxes	300	
	Salaries of Secretary, Manager, &c.	1500	
	Directors' Fees	1000	
	Stationery, Printing & Advertising	600	
	Incidental Expenses	100	
	Law Charges	200	
	Sales by Meter		8750
	Sales by Contract		5000
	Meter Rents		300
	Sundry Creditors		1000
	Sundry Debtors	3000	
	Cash in hand and at Bank	3300	

Answer.—*Bal. of Revenue A/c* £2465 ; *Bal. Net Revenue A/c.* £1565.

Exercise 150 (*C.A. Final*).

Abe Allan and Ben Bailey were partners in the following scheme. A. to take ⅔ and B. ⅓ of the profits. They agree to guarantee the subscription at par of 100000 shares of £1 each in a Co. and to pay all expenses up to allotment, in consideration of the Co. issuing to them 15000 other shares fully paid. A. provided cash for the following exs. :—Registration and fees £115 ; Advertising £2150 ; Printing and Prospectuses £230. B. provided cash for remainder viz. :—Rent of temporary office £25 ; Secretary, &c. £100 ; petty cash and sundries £27 ; stamps £103 ; solicitors £250 The applications fell short of the £100000 by 3000 shares, and, by arrangement B. found the cash in full for that number on the joint a/cs. The Company handed A. and B. the 15000 shares. A. and B. then sold all their shares at 17s. 6d. each less brokerage at 2d. per share. B.

received the net proceeds of 3000 shares, and A. received the remainder. Make up the separate a/cs. of the partners (without interest). Show profit made by each, and amount payable by A. to B. at settlement. **Answer.**—*Profit* £9600; *A. paid B.* £4105.

Exercise 151 (*C.A. Final*).

The cap. of the Empire Co., Ltd., is £100000 in 6% cumulative pref. shares, and £90000 in ordy. shares. The profits of any year are to be applied thus:—(1) 5% thereof to the directors for remuneration. (2) To paying the pref. div. and any arrears thereof. (3) To paying an ordy. dividend up to 10%. Any surplus over the above (after deducting tax at 8d.) to be applied thus:—(A) 10% thereof to the directors for further remuneration. (B) Two-thirds of the remainder as further ordy. div. (C) One-third of the remainder to the reserve fund. The profits of the year 1906 were £31034 9 8. The pref. div. of 1905 was 3% in arrear. Distribute profits as stated, providing for income tax at 8d. in the £.

Answer.—*A.* £1110; *B.* £6660; *C.* £3330, *all after deducting tax.*

Exercise 152 (*C.A. Intermediate.*)

Prepare B/S. of France & Co., Ltd., on 30th June, 1909, from the following:—The authorised share cap. is £100000 in 100000 shares of £1 each, of which 50000 have been issued and 18/- called up.

Dr. Balances—		**Cr. Balances—**	
Calls in arrear	£25	50000 Shares at 18/-	£45000
Patents	5000	250 £100 Mort. Deb. Bonds 5%	25000
Bank	1325	Calls in Advance	200
Cash	117	Creditors	5375
Debtors	16150	Reserve Fund	8000
Stock	11220	Reserve for Bad Debts	650
Investments for Reserve Fund	7000	Suspense A/c	500
Plant & Machinery	26020	Profit	9342
Land & Buildings	25435	Depreciation: Plant & Machinery	525
Interim Dividend paid	2300		

Answer.—*Total of B/S.* £91092.

Exercise 153 (See page 401.) (*C.A. Final*).

Prepare an Income and Expenditure A/c. and B/S from the following T.B. and particulars of the Land & Buildings Co., Ltd., as on 30th April, 1907. Make a Reserve of £21 for audit fee, and £25 for repairs. Int. on Mortgage has been paid to 31st Dec., 1906. Two tenants Geo. Field and Richd. Fell at £180 a year each have paid rent to 31st Mar., 1907. The only other tenants are those mentioned in the T.B. Provide for a dividend of 6% on the capital and carry the balance to the reserve fund,

Dr. Balances—	
Incidental Expenses	£5
Postages	3
Bank Commission	4
Interest on Mortgages	240
Secretary's Remuneration	80
Robt. Norton half-year's rent due 31st Jan.	80
Leo. Rollins half-year's rent due 28th Feb.	90
Repairs & Painting	35
Fire Insurance	12
Stationery & Printing	16
Felix Walters half-year's rent due 31st Dec., 1906	120
Heating & Ventilating	50
Yeo. Morris half-year's rent due 31st March	240
Dr. Balances continued—	
Land & Buildings	£25000
Income Tax	37
Public Art Co. half-year's rent to 31st Dec., 1906	90
Bank	609
Cr. Balances—	
Registration & Transfer Fees	1
Bank Interest	15
Reserve Fund	1220
Rentals	1310
Capital A/c. 3000 shares of £5 each fully paid	15000
Forfeited Shares	10
Saml. Carter (Mortgage 4%)	9000
Creditors	155

Answer.—*Net Profit* £958; *B/S. Total* £26509.

Exercise 154 (Royalties, page 444). (*C.A. Final.*)

The Coal Mine Co., Ltd., took a lease of a colliery from G. Risch for 99 years from 29th Sept., 1906, at a ground rent of £50 a year, payable half-yearly, and a royalty of 6d. per ton, with a minimum royalty of £80 a year, payable half-yearly. During the first year the Co. raised 2500 tons, and during the second year ended 29th Sep., 1908, 4000 tons. The several amounts due to G. Risch were paid 21 days after becoming due. Write up both Personal and Nominal A/cs. and balance them at the end of each year.

Exercise 155 (*C.A. Intermediate*).

A Company on 1st Jan., 1902, formed to acquire an established business issues ordinary cap £100,000 in £10 shares, payable £1 on application, £2 on allotment, and the balance 3 mos, after allotment; pref. cap. £50,000 in £10 shares, payable in the same manner; and £50,000 in debentures, of £100 each payable 10% on application, and the bal. on allotment. The whole (other than the shares taken by the vendor) was subscribed, allotted and duly paid up. The vendors are to receive £100,000 payable as to £40,000 in ordy. fully paid shares and £60,000 in cash, such price to include £20,000 for freehold buildings, and £30,000 for stock-in-trade, the bal. being for goodwill. Make Journal entries relating to the issue of the capital and the purchase of the vendors.

Exercise 156 (Double A/c. System, p. 419). (*C.A. Final.*)

The following is the T.B. of the Durham Ry. Co. after the completion of the Revenue A/c. for the half-year ended 31st Dec., 1908. *During* the said half-year there was an issue of £10,000 3½% preference stock at par, which was fully subscribed and paid up, also of £20,000 ordy. stock fully subscribed and paid up at a premium of

5%. The expenditure on lines open for traffic was £25000; on lines in course of construction £1000; and on working stock £5000. Make out Capital A/c. and B/S.

Dr. Balances—	
Lines open for Traffic	£851950
Lines in course of construction	5000
Lines not commenced	50
Working Stock (Engines, Carriages, &c.)	130000
Contributions to Joint Lines	50000
Purchase of Grand Canal	5000
Cash at Bank	5000
General Stores—Stocks on hand	10000
Traffic A/cs. due to Co.	10000
Due from other Companies	1000
Dr. Balances continued—	
Sundry Outstanding A/cs.	£4000
Cr. Balances—	
3½% Pref. Stock	300000
Ordinary Stock	500000
4% Debenture Stock	200000
Premiums on Stocks issued	25000
Debts due to other Co.'s	500
Sundry Tradesmen, &c.	20000
Fire Insurance Fund	1500
Superannuation Fund	5000
Cr. Balance of Net Revenue A/c	20000

Answer.—*Balance Cap. A/c.* £17000; *B/S. Total* £47000.

Exercise 157 (*C.A. Final*).

A Company registered with a cap. of £1,000,000 in £10 shares issues 80000 shares at a premium of 2/- per share payable £2 12 on application, including the premium. and £2 10 on allotment. It also issues 5% debentures to the extent of £100,000 at £104 per £100, payable £14 on application, including the premium, and the bal. on allotment. The Co. acquires a business for £250,000, payable £200,000 in fully paid-up shares, and £50,000 in cash. The registration fee and formation exs., which amount to £6000, are to be paid out of the premium of 2/- per share, the balance is to be carried to a reserve. The premium on the issues of debentures is to be carried to the same reserve. Make the Journal Entries.

Exercise 158 (Royalties, page 444.) (*C.A. Inter.*)

A colliery is worked under a 30 years' lease at a royalty of 8d. a ton, with a minimum yearly rent of £1000, with power to recoup short workings. In the first year 25000 tons are worked; in the second, 26500; in the third, 24600; in the fourth, 31000; and in the fifth, 30,500 tons. Journalise these transactions and state how the respective years' royalties would affect the P/L. A/c. and B/S.

Exercise 159 (Income Tax, page 269.) (*C.A. Final*).

Prepare the Income Tax Return of the Atlas Steel Co., Ltd., for the year 1909-1910 from the following figures:—Profit for the year 1906, £25000; 1907, £23740; 1908, £29450. These profits are, after bringing to credit net income from farms and cottages £2500, and £2550 income received from investments, and after charging Income Tax paid £600; Charitable gifts £500; depreciation of machinery £1600 (of which presume £800 is allowed); and of buildings £1000; and writing off £1000 from the Colliery freehold each year. The Company's property is assessed for tax at £6000.

Answer.—*Profits* £18650; £17390; £23100; *Average* £19713 6 8.

Exercise 160 (*C.A. Final*).

Prepare Revenue A/c. and B/S. of the Spark Fire Insurance Co. on 31st December, 1900, from the following :—

Dr Balances—	
Re-assurances (representing premiums which have been paid to other companies with the object of sharing the losses; the amount must be deducted from the Premiums received) paid and outstanding	£69000
Losses by Fire	480000
Expenses of Management	120000
Commission	11¶000
Foreign State Taxes	11000
Shareholders' Dividends paid and payable	12500
Mortgages within U.K.	100000
Mortgages out of U.K.	10000
British, Colonial and Foreign Securities	155000
Railway Debentures and Stock	150000
Railway Preference Shares	33000
Municipal and County Council &c. (Loans)	17000
Bank Deposits for period	20000
Dr Balances continued—	
Deposits with Foreign Co.'s	£17000
Deposits with United States Trustees	11000
Agents and Branch Office Balances	105000
Outstanding Premiums at Head Office	1500
Cash at Bank	10500
Cr. Balances—	
Premiums	770000
Losses Recoverable (in respect of re-assurances and must therefore be deducted from Losses by Fire in the Rev. A/c.)	60000
P. & L. A/c.	3500
Fire and General Reserve Funds	280000
Interest and Dividends (of which £5000 has not been recd.)	13500
Capital	250000
Outstanding Fire Losses	63000
Outstanding Dividends	6500

Answer.—*Net Profit* £44500; *B/S. Total* £635000.

Exercise 161 (Bankruptcy, page 425). (*C.A. Final.*)

Prepare Statement of Affairs of Nathan Thorpe, engineer, on 20th March, 1909.

	Book Values.	Estimated to produce
Leasehold Premises held for 99 years at £50 a year	£5000	£4500
Fixed Machinery & Plant on the said Premises	2000	1000
Loose Tools, Plant, &c.	700	350
Stock-in-Trade	1000	600
Book and other Debts—Good (less 5%)	300	285
" " Doubtful	800	200
" " Bad	2000	

Cash in hand £5; 500 £1 Shares in the Hole Mine Co., Ltd., 5s. per share paid, bal. called up. In liquidation. No return expected. Household Furniture and Effects £250; Life Insurance Policy for £2000 at death, subject to premium £35 a year, due 30th Dec., held by Insurance Co. for Loan of £180. Surrender value £200, less loan, *Liabilities*:—Crs. for Unsecured Trade Debts £3000; Private and Household Debts £150; Loan of £2000 at 4% secured by First Mortgage on Leaseholds, Int. paid to 20th May, 1908; Bankers for overdraft secured by second Mortgage on Leaseholds £2500; Loan of £1000 at 5% secured by third charge on Leaseholds and second charge on Life Insurance Policy. Int. paid to 20th Sept., 1908; Ground Rent of Leaseholds accrued since 25th Mar., 1908, had not

been paid; Rent of Dwelling house, £30 for half-year due 25th Dec., 1908; Taxes due 1st Jan., 1909, £20; Local Rates £25; Liability on Shares of Hole Mine Co., Ltd., above mentioned; omit calculations on Income Tax. **Answer.**—*Deficiency* £2046 13 4.

Exercise 162 (Bankruptcy page 425).

Prepare Statement of affairs of Alfred Bullough on 31st May, 1908.

Trade Creditors	£1200	Cash	£150
Bills Payable	1500	Book Debts	1900
Bankers	600	Stock	1300
Balance	400	Fixtures, &c.	350

Upon A.B. being questioned the following facts were elicited:—He had omitted from the B/S.—(*a*) £50 owing for rent and £15 for rates. (*b*) £500 borrowed at 5% from his father-in-law three years ago, no payment having been made on a/c. of either principal or int. (*c*) A B/E. for £100 accepted by a firm without consideration, would be due in a month. His private and household debts amounted to £120. The item entered in B/S. as cash included I.O.U.'s for £120, which he had put in the cash box for moneys drawn for betting purposes. About £700 of the book debts might be taken as bad, the rest would be recoverable. The stock was good except about £200, which would not produce more than £20. The fixtures would not realise more than £50. His other assets were:—Household furniture worth about £250; Freehold house in which he resided mortgaged to secure £1000 at 4%, the bankers holding a second charge as security for their overdraft. The house was valued at £1500. **Answer.**—*Deficiency* £1010. *Total B/S.* £3595.

Exercise 163 (Bankruptcy page 425). (*C.A. Final.*)

Prepare the respective Balance Sheets of the firm of "Robinson Bros." and of the several partners, Alfred, Benjamin & Charles; after which prepare the respective Statements of Affairs of the firm and the several partners, giving effect to the rights of holders of securities; accepting the values of assets as given on 3rd April, 1907.

Joint Estate—Unsecured Trade Crs. £31280; Cash Crs..	£6642
Cash Crs. collaterally partly secured by Policies of Assurance	9015
On the life of Alfred, worth £1615; of Benjamin worth	738
Cash Creditors, fully secured	10435
they holding securities belonging to the firm worth ..	14395
Liabilities on Bills discounted, considered good	1340
Preferential Creditors of Joint Estate	2128
Tradesmen's Claim on Separate Estate of Alfred	697
Cash at Bank £1050; in hand £843; Debtors £2975; Stock £30155; Fixtures & Furniture	1400
Separate Estate of Alfred, Cash Creditors	2578
they holding as security Freehold Property of his, worth	3000
Tradesmen's Claims on Separate Estate of Benjamin	119
Tradesmen's Claims on Separate Estate of Charles	190
Cash Creditors of Charles, unsecured	510

Household Furniture, Separate Estate of Alfred.....	1000
Do. Benjamin £1000; Charles	500
Reversionary Interest under will of John Smith, deceased, Separate Estate of Charles, worth	200
Alfred bad overdrawn his a/c. with the firm by	4500
Benjamin ,, ,, ,, £3000; Charles	1182

Answer.—*Deficiency of Firm* £4723; *Surplus of Alfred* £725; *of Benjamin* £881; *Charles' Statement Balances.*

Exercise 164.

The Business of Wm Barlow & Sons was purchased for £80000 by a Co. on 1st Jan., 1900, and they traded as Wm. Barlow & Sons, Ltd. The Nominal Capital was fixed at £100000 in Pref. and Ordy. Shares divided equally. The Co. took over Assets, valued as follows:—Stock £30000; Plant and Machinery £12000; Freehold Land and Buildings £25000. The Co. was to receive the benefit of a reserve of £500 for Bad Debts and of £500 for Discounts.

Shares were allotted to Vendors as follows:—6000 Pref. and 2000 Ord., while the public applied for and were allotted 3980 Pref. and 7630 Ord. Shares, payable £1 on application, £1 on allotment, and 2 calls of £1 10s. each, 1 and 3 months after allotment. The public paid all calls on the Pref. Shares, and as regards the Ord. Shares, only 7250 were paid on allotment, £10690 on 1st Call, and £10580 on 2nd Call. All sums being paid direct to Bank. The balance of the purchase money was paid by cash, and the bank charges for the year amounted to £290 10s. 7d.

During 1900 the following transactions took place:—Purchases £17379 18s. 5d.; Sales £46074 12s. 5d.; Wages (Manufacturing) £9284 17s. 10d.; Carriage on Purchases £685 10s. 11d. Returns: by Customers £2794 17s. 11d.; to Manufacturers £1386 12s. 7d. They paid on a/c. of Goods £10073 6s. 5d.; Trade Exs. £835 17s. 4d.; Taxes, Rates, &c. £639 17s. 11d.; Additional Land and Buildings for extension £15000; Plant, &c., purchased and paid £9500; Legal Expenses £155, Discounts received £795 8s. 10d., and allowed £1694 7s. 11d.; Bad Debts amounted to £513 7s. 0d.; Bills received £2684 7s. 5d.; and bills granted £1795 9s. 10d., of which £1189 16s. 4d. and £802 5s. 4d. respectively were outstanding.

The amount received for Sales £27897 6s. 5d., and also a Mortgage of £7500 on Buildings. During the year an issue of Debentures took place of £20000 at a premium of 10%, which was to be placed to a Reserve Fund. At the end of the year £720 was *due* for interest. The calls in arrear not having been paid, the Directors, after due notice, cancelled 279 Ord. Shares on which only £1 each had been paid on application, and £43 on allotment. The Directors wrote off 2½% from stock valued at £19789, also 2% from Land and Buildings, 7½% from Plant, &c., and reserved 5% from Debtors for discounts and bad debts. Apply the Reserve Fund towards reduction of Goodwill. Prepare Trading, P/L. A/cs. and B/S.

Answer.—*Gross* £6610 5 5; *Net* £619 13 3; *Total B/S.* £129020 19 4.

LONDON CHAMBER of COMMERCE. (*Senior, 1902.*)

1. You are appointed book-keeper to an old-established business which has recently been converted into a public Limited Company. Give rulings of any books which it would be necessary for the new Company to keep, other than the ordinary books of Account which are already in existence, and need no amendment.

2. What is a "Suspense A/c."? Give a few examples:—(*a*) of legitimate purposes for which such an Account may be used; (*b*) of errors which the abuse of a Suspense A/c. may cover.

3. The prospectus of Messrs. Black & Tan, Ltd., was publicly advertised on 21st Jan., 1902, with the following loan and share issues. *Debentures*:—1000 4% Debentures of £100 each; the whole of which were offered and fully subscribed and paid up. *Preference Shares*:—20000 6% Preference Shares of £5 each; the whole of which were offered and fully subscribed and paid up. *Ordinary Shares*:—Nominal 30000 shares of £5 each; of which 10000 shares were issued as fully paid to the vendors in part payment of the purchase price of the business. Of the remaining 20000 shares the public subscribed for 15000 shares, the whole of which were, in due course, fully paid up, with the exception of the last call of £2 per share on 500 shares, which were subsequently forfeited by resolution of the Directors. Pass the necessary entries through the Company's books to record these transactions, and state how they should appear in the B/S.

4. After writing up the P. & L. A/c., the general ledger balances of the Conservative Bank, Ltd., as on 31st Dec., 1901, were as follows:—Paid-up Capital £1500000; Cash at Bank of England and in hand £2600980; Customers' Current and Deposit A/cs. £17580000; Bills discounted, Loans and Advances £14482000; Freehold Premises £380000; Rebate on Bills Discounted, not yet due, carried to next A/c., £24300; Reserve Fund £1200000; English Government Securities £1250000; other Government Securities £520000; P. & L. A/c. (undistributed balance) £110680; Securities pledged with Public Bodies £81000; Indian and Colonial Securities £1101000. On the same date (31st Dec., 1901) the acceptances on behalf of customers, and for which they were liable, appeared in the "Acceptances Book" of the Bank at £1725420. Prepare B/S. 31st Dec., 1901. (*B/S. Total* £22140400.)

5. State briefly the facts that would guide you in arriving at the proper amount of depreciation to provide for upon the Machinery and Plant used in a manufacturing business; and set out the entries you would pass through the books to give effect thereto.

6. Messrs. Slander & Backbite own a small newspaper. Profits and losses are equally divided. Before the division of profits, the following **adjustments** are necessary:—10% depreciation is to be written off Plant A/c.; 20% off Type A/c.; and 10% off Horses and Carts A/c.; 5% provision is to be made for Bad and Doubtful

Debts; Six months' Int. at 5% is due upon the Bank Overdraft, and has not yet been passed through the books. **Stock** as on 31st Dec, 1901, was valued at £381. No interest is allowed upon Partners' Cap. A/cs., Backbite's smaller capital being compensated for by the fact that he gives more time to the business than his partner. Ledger **Balances** 31st December, 1901.

Expenses of Branch Office	£129	Trade and Incidental Expenses	£82
Insurance A/c.	34	Cost of Literary Contributions	898
Rates, Taxes and Gas	50	Commissions paid	152
Postages A/c.	182	Stable Expenses	121
Carriage	264	Ink Purchases	88
Bad Debt Reserve (1st Jan., 1901)	430	Machine & Engine Room Exs.	242
Sales and Subscriptions (Newspaper Dept.)	4852	Audit Fee	52
Sales (Jobbing Dept.)	848	Law Charges	124
Advertisements A/cs. (Receipts)	5540	Bad Debts	142
Compositors' Wages	2035	Freehold Printing Works	4950
Reporters' Salaries	798	Additions to Freehold Premises during year	150
Paper Purchases	2220	Plant & Machinery	4400
Office Salaries	748	Type	2900
S.S.'s Capital A/c.	9864	Stock (1st Jan., 1901)	342
S.S.'s Drawing A/c.	1040	Horses and Carts	194
D.B.'s Capital A/c.	7540	Sundry Debtors	8440
D.B.'s Drawing A/c.	952	Cash in hand	457
Trade Creditors	862	Bank Overdraft	1500
Advertisements paid in advance	750		

Answer.—*Net Profit* £1849 2; *Cap. S.S.* £9748 11; *D.B.* £7512 11.

LONDON CHAMBER of COMMERCE (*Senior, 1903*).

1. The following books are in use in a printing business, and are properly kept upon the ordinary double-entry system:—Cash Book (bank items only), Petty Cash Book (for all Cash payments), Purchases Journal, Sales Journal, two Personal Ledgers ("A," town debtors; and "B," country debtors), Bought Ledger, and Nominal Ledger. How would you re-arrange the system of book-keeping so that every ledger may be self-balancing. **2.** Describe the steps you would take in order to prepare Trading, P. & L. A/cs, and B/S. from a set of books which had been kept by single-entry.

3. Below is the B/S. of the Blank Co., Ltd.. on 31st Dec., 1902:—

Nominal Capital.		Patents, at cost	£114663
100000 Pref. Shs. £1 ea.	£100000	Leasehold Works	8820
100000 Ordy. Shs. £1 ea.	100000	Machinery and Plant	4120
		Sundry Debtors	1241
Issued Capital.		Stock on hand	4921
74720 Pref. Shs. fully pd.	£74720	Advertising Suspense	2000
42633 Ordy. Shs. fully pd.	42633	Preliminary Expenses	406
	£117353	Profit & Loss A/c.	1482
Sundry Creditors	14000	Cash in hand	28
Bank Overdraft	1328		

The Company proved unsuccessful, and resolutions were passed to carry out the following scheme of reconstruction:—(*1*) That the £1 pref. shares be reduced to an equal number of fully paid shares of 10/- ea. (*2*) That the £1 ordy. shs. be reduced to an equal number of fully paid shares of 6/8 each. (*3*) That the amount thus rendered

available for the reduction of the assets be apportioned as follows: Preliminary Exs. P. & L. A/c. and Advertising Suspense A/c. to be written off entirely; £1200 off the Leasehold Works; £1400 off the Stock; 20% off the Machinery and Plant, and the balance available to be written off Patents. Prepare B/S. giving effect to above.

4. Give suitable rulings for the Share Ledger of a Limited Company, and enter therein the following particulars:—John Smith, cork merchant, 440 Austin Friars, E.C., applied on 2nd Jan., 1902, for 150 ordinary shares of £1 each, and forwarded the necessary 2/6 per share with his application. On 12th Jan., 1902, John Smith forwarded a further 2/6 per share on being informed by the company that 150 ordinary shares (numbered 1 to 150) had been allotted to him. On 10th March, 1902, a call of 5/- per share was notified by the Company and was duly paid by John Smith on his holding on 15th March, 1902. On 3rd April, 1902, John Smith sold 100 of his shares (numbered 1 to 100) to Wm. Brown, hatter, 488 Bond St., W., at 12/6 per share, the transfer being accepted by the Company.

5. Explain the difference (if any) between a "Revenue A/c.," an "Income & Expenditure A/c.," and a "Receipts & Payments A/c."

6. Prepare Trading, P. & L. A/cs. & B S. of Wm. Pearson & Co., Ltd., on 31st Dec., 1902, provide 5% for doubtful debts; write 10% off Machy. & Plant, and take £1000 to Reserve Fund. **Stock** 31st December, £6820.

Dr. Balances—		**Dr. Balances** continued—	
Unpaid Calls A/c.	£150	Repairs	£174
Cash in hand	190	Purchases	41800
Sundry Debtors	3640	Bad Debts A/c.	191
Cash at Bank	1150	Office Expenses	124
Machinery & Plant	6000	Int. Paid on Debentures	225
Freehold Premises	11500	**Cr Balances**—	
Stock (1st Jan., 1902)	8·09	Share Cap. A/c.	15000
Manufacturing Wages	12450	Sundry Creditors	1960
Salaries	1230	Reserve Fund	4000
Carriage & Cartage	325	Mortgage Debenture A/c.	4500
Rates & Taxes	111	Discount A/c.	48
Insurance	98	Sales	62850
Trade Expenses	382	Unpaid Dividends	252

Answer.—*Gross Profit* £6225; *Net Profit* £2956; *Total B/S.* £28518.

LONDON CHAMBER of COMMERCE (*Senior, 1904*).

1. Give suitable rulings for the Sales Journal of a wholesale business comprising three departments, viz.:—"Mantles," "Dress Materials," and "Pelts." There are two Sales Ledgers in use, viz.: "Town" and "Country," and each Ledger is kept upon the self-balancing principle. **2.** Upon being appointed book-keeper to the Whirlwind Automobile Co., Ltd., you find that 10 cars have been sent to various people for trial purposes, "on sale or return." These transactions, however, have been passed through the Company's books as actual sales at full list prices amounting to £3750. Is this correct? If not, what rectification of the a/cs. would be necessary? How should such transactions be treated in the Company's annual A/cs. as prepared for publication.

3. Messrs. J. Silkstone & Co., Coal Merchants, of London, opened a branch business at Maidstone, on 1st Jan., 1903. From T.B. of the Maidstone Branch, prepare P. & L. A/c. and draft entries necessary to incorporate the figures below in the Head Office Books. Stock of coal at Maidstone £984.

Dr. Balances—		**Cr. Balances—**	
Sundry Debtors	£640	Head Office Adjustment A/c.	£1574
Horses, Carts, &c.	280	Coal Sales	1750
Salaries, Rent and Expenses	620	Sundry Creditors	42
Cash in hand	78		
Coal invoiced from Head Office	1748		

4. Messrs Black and White were equal partners in a retail boot shop. They decide to retire and dispose of their business as on 31st Dec., 1903, when their B/S. stood thus :—

B. Black's Cap. A/c.	£3050	Lease	£1250
W. White's Cap. A/c.	960	Fixtures	220
Sundry Creditors	480	Sundry Debtors	840
		Stock	2060
		Cash at Bank	120

The Lease and Fixtures were sold for £2700 ; the Cash received ; and the Book Debts were collected, realising £752. The stock was sold by auction for £1340 after payment of commission and exs. The sundry creditors were paid off, £38 being allowed for discount. The expenses of realisation amounted to £87. As book-keeper to the firm, prepare whatever a/cs. may be necessary to show the result of the realisation and the amount received by each partner.

Answer.—*Net Loss* £373 ; *Received by Black* £3236 10, *White* £1146 10.

5. The books of Messrs. Wm. Jones & Co. were balanced on 31st Dec , 1903, and a P. & L. A/c. and B/S. prepared. The profit for the year, as shown by these a/cs. amounted to £2481 6s. 4d. The following mistakes had been made by the book-keeper during the year :—(**a**) a gas engine costing £450 had been debited to "Purchasers Account" instead of to "Machinery and Plant." (**b**) an amount of £15 12s. 8d. received as a final dividend in the estate of G. Smith, the balance of whose a/c. had, in a previous year, been written off as a bad debt, was standing to the credit of a newly opened a/c. under the same name, and was included amongst the "Sundry Creditors" in the B/S. (**c**) a cheque amounting to £10 4s. 8d , which had been returned dishonoured was posted to the debit of "Allowances A/c." instead of to the Account of A. Brown, from whom it was received. (**d**) Goods amounting to £52 1s. 4d. had been returned by R. Robinson, on 30th Dec., 1903, and were taken into stock, but the entries recording the return were not passed through the firm's books until 4th Jan., 1904. What adjustment would be necessary to rectify these errors, and how would they affect the above-mentioned profit ?

6. The Nominal Cap. of John Bolton & Co., Ltd., consists of 75000 Ordy. Shares of £1 each. The Co. is empowered to issue 250 Debentures of £1000 each at 4½%. Prepare Trading, P. & L. A/cs. and B/S. on 31st Dec., 1903. **Stock** £11840. (*a*) Write 10% off Machinery and Plant and 15% off Patents. (*b*) Provide 5% for

Doubtful Debts. (*c*) Carry forward £50 paid for Fire Insurance in respect of unexpired period. (*d*) The directors voted a bonus of 5% on the Net Profit for division amongst the departmental managers.

Dr. Balances	
Stock (1st Jan., 1903)	£9875
Cash in hand	60
Cash at Bankers	3104
Purchases	32960
Trade Charges	982
Wages	19462
Salaries	1201
Travelling Expenses	871
Rates and Taxes	321
Insurance (Fire)	195
Discount A/c.	829
Returns from Customers	1482
Bad Debts written off	348
Interest paid on Debentures	450
Freehold Land and Buildings	22280
Machinery and Plant	17800

Dr. Balances continued—	
Patents A/c.	£1200
Sundry Debtors	20140
Dividend (paid on Ordy. Shs., 14th Feb., 1903)	1875
Unpaid Calls (Ordy. Shares)	250
Cr. Balances—	
Share Cap. A/c. (50000 issued 15/- per share called up)	37500
Calls paid in advance	125
Mortgage Debentures	10000
Sales	61842
Reserve Fund	6800
Sundry Creditors	11861
Returns to Creditors	3421
Bad Debts Reserve	940
P. & L. A/c. (Bal. 31st Dec., 1902)	3286

Answer.—*Gross Profit* £13324; *Net Profit* £6060; *Bal. c/f.* £7168.

LONDON CHAMBER of COMMERCE (*Senior, 1905*).

Senior Candidates must not attempt questions 6 or 7, and Candidates for the Teachers' Diploma must not attempt 1 and 4.

1. Briefly explain the principles of the "Columnar" or "Tabular" systen of book-keeping. Illustrate the advantages of this system by means of *pro formâ* rulings of a cash book, or other book of first entry, suitable for use in a small hotel.

2. The Weyside Co., Ltd., was formed to purchase the business of Richard Blank, and was registered with a capital of £200,000 in 200,000 shares of £1 each, which was divided into 100,000 ordinary shares and 100,000 6% preference shares. The whole of the preference and 52,000 of the ordinary were offered for public subscription, payable, in both classes of shares, as follows:—2/6 per share on application, 2/6 per share on allotment, 5/- per share on 15th Jan., 1905 (1st call); 5/- per share on 15th Feb., 1905 (2nd call); the balance as and when required. The whole of the shares offered to the public were applied for and allotted in due course; the balance of the ordinary shares being issued as fully paid to the vendor as part purchase price of his business. 500 ordinary shares applied for by John Smith, upon which the application money only had been paid, were subsequently forfeited in accordance with the Articles. Make the entries necessary to record the above and show how they would appear in the B/S.

3. In closing the books of Robert Sawyer you find the undermentioned. How would you deal with these transactions when preparing the annual A/cs. for the year ended 31st Dec., 1904? (1) Fire Insurance Premium £50, paid on 30th June, 1904, covering the twelve months to 30th June, 1905. (2) Salaries £125, accrued due to A, B and C, but not yet drawn by them. (3) R. Robinson paid

£100 in advance in full settlement for work which was being executed for him under a contract. The cost of the work completed up to 31st December, 1904, amounted to £39, when it was estimated that half the contract had been completed. (4) Patents account showed a debit balance of £557 7s. This amount consisted of Patent rights, 6 years to run, purchased for £550, and renewal fees for the year 1904, £7 7s. (5) Three years ago Robert Sawyer bought a milling machine for £200, and depreciation, at the rate of 10%, upon the diminishing balance, has been written off each year; the same machine, however, can now be bought for £120 owing to improvements in the manufacture.

4. What is the difference, if any, either in result or in method of preparation, between a "B/S." and a "Statement of Affairs"?

5. Set out below are the ledger balances, as on 31st Dec., 1904, of the Sylhet Tea Plantations, Ltd. Prepare P. & L. A/c. and B/S. The nominal capital of the Co. consists of 20000 ordinary shares of £10 each. No Stock on 1st Jan., 1904, but on 31st Dec., **Stock** of tea £3854. **Adjustments:**—(1) Make a provision of 5% for Bad and Doubtful Debts. (2) Provide for depreciation on Plant and Machinery at the rate of 10%. Carry £3000 to the Reserve A/c.

Dr. Balances—	
Plantations (Land in Sylhet and Buildings thereon).....	£184000
Sundry Debtors	8400
Plant & Machinery	3700
Div. Paid 30th June, 1904 ...	8100
Wages (European).....	4400
Wages (Natives).....	9527
Crop Expenses	3200
Manufacturing Expenses	2480
Boxes purchased (the whole to be written off during year)	672
Rent & Taxes	543
Machinery Repairs	423
General Charges.....	331
Hospital Expenses	1565
Marine Insurance	248
Fire Insurance	120
Law Charges	32

Dr. Balances continued—	
Directors' Fees	£350
London Office (Sals. and Exs.)	1021
Auditors' Fees.....	52
Freight Charges.....	2035
Managers' Commission.....	1030
Calcutta Agency Expenses	1745
Cash in hand	122
Cr. Balances—	
Share Capital (issued 16200 Shares of £10 each, fully paid)	162000
Reserve.....	5000
Sundry Creditors	8851
B/P.	8010
Bank Overdraft	1870
P. & L. A/c. (undistributed balance as on 1st Jan.)	10500
Tea Sales	37860
Transfer Fees	5

Answer.—*Gross Profit* £19400; *Net* £11155; *Balance* £10555.

6. Smith, Brown & Robinson enter into partnership as equal partners for the purpose of purchasing the business of Peter White, who is retiring, on 1st Jan., 1905, upon the basis of the last B/S., which was as follows:—**Liabilities:**—Capital £20540; Sundry Creditors £3218; Reserve for depreciation £608; **Assets:**—Leasehold Factory £12540; Machinery and Plant £8200; Patents £600; Sundry Debtors £1560; Stock £1458; Difference in Books £8; The purchase price of the business was agreed at £25000 which was paid to White. Cash was paid into the new firm's banking A/c. by the partners as follows:—Smith £12000; Brown £10000; Robinson £6000. Before opening the books of the new firm it was agreed (a) to transfer the Reserve for Depreciation to Machinery and Plant A/c., and to write off a further £200 as depreciation and (c)

to write off £200 from Patents. Record the transactions in the books of the new firm, prepare B/S. disclosing the position of Smith, Brown & Robinson on commencing business. (*B/S.* £31218).

7. A London company, owning a mine in India, receives monthly cash statements, in Indian currency, from its local manager. How would you pass these returns into the company's books, and effect the necessary conversion into sterling? Illustrate your answer by means of rulings of the book or books you would suggest, and enter therein six imaginary transactions.

LONDON CHAMBER of COMMERCE (*Senior, 1906.*)

1. Briefly describe the uses of the Journal; and give particulars of the entries you would expect to find in the Journal of a business in which the "Sales" and "Bought" Ledgers were balanced independently, by means of adjustment a/cs.

2. Profit & Loss A/c. of John Brown, Dairyman, for year ended 31st December, 1905.

To Office Salaries	£857	By Balance from Trading A/c.			£2299
,, Rent (1 year)	200	,, Provision for Bad Debts.—			
,, Taxes, Sch. D. paid for 1905-6	56	Amount reserved—			
,, Trade Expenses	532	31st Dec. 1904	£321		
,, Insurance (fire)	42	Amount reserved—			
,, Travelling Expenses	86	31st Dec. 1905	£277		
,, Depreciation on Plant at 15%	96				44
,, Bad Debts written off	113				
,, Discount A/c.	36				
,, *Net Profit*	325—				
	£2343				£2343—

Prepare an a/c. for submission to the Income Tax Surveyor, and show the amount upon which Brown will have to pay tax for the year 1906-7. The profits of the business in previous years, as agreed with the Surveyor, prior to any allowance for wear and tear of plant, were as follows:—To 31st Dec., 1902, £2062; 1903, £1250; 1904, £786. Has Brown any grounds for claiming a repayment of Tax for the year 1905-6? (*Entitled to return on* £314 6 8.)

3. You are instructed to organise the book-keeping department of a small factory. What books of a/c. would you advise as necessary, and what rules would you lay down for the guidance of the staff and to ensure that the books are kept accurately and well up to date? Assuming that the clerks are three in number, mention what duties you would allot to each.

4. In preparing the P. & L. A/c. of a manufacturing firm, what different methods are there of providing for the waste of an asset owing (*a*) to wear and tear, as in the case of machinery; or (*b*) effluxion of time, as in the case of a building, erected upon leasehold land? What method do you favour for providing for such taste, and why? State briefly what entries would be required to carry your suggestions into effect.

5. A. F. Walters and J. B. Smith are in partnership as pipe manufacturers, the former taking $\frac{2}{3}$rds and the latter $\frac{1}{3}$rd of profits. They also rent and work a retail shop. The shop manager sends in weekly returns of all transactions, and these are duly incorporated in the books of the head office. Prepare Trading A/c. showing the working results of the shop; also Trading, P. and L.

A/cs. and B/S. for the year ended 28th Feb., 1906. **Stocks** at Factory £3105, at Shop £470. The goods supplied by the factory to the shop were priced out at £4199 cost price. **Adjustments:**—(*a*) interest on Cap. at 5% (*b*) Reserves for: Rent, Rates, &c. A/c. (factory) for rent accrued due 28th Feb., £78; Ditto shop, 2 mos. rent due to 28th Feb. (the annual rent being £360); Audit Fee £36 (*c*) Manager is entitled to commission of 2% on the gross profit realised by the shop (*d*) Plant and Machinery to be depreciated at 10%; Fixtures and Fittings at 5% (*e*) Provision for Bad and Doubtful Debts at 2½ %.

Dr. Balances—	
Plant & Machinery	£3280
Fixtures & Fittings (factory)	620
Purchases	11780
Manufacturing Wages	6433
Manufacturing Expenses	891
Rent, Rates, Taxes, Light & Insurance (factory)	360
Ditto (shop)	423
Stock, 1st Mar., 1905 (factory)	3828
Ditto ditto (shop)	747
Cash Purchases (shop)	62
Travellers' Commission (facty.)	152
Office Salaries (factory)	280
Office Exs., postage, &c. (facty.)	395
Law Exs. & Audit Fee (factory)	41
Bad Debts (factory)	8
Sundry Debtors	2520
Furniture, Fixtures & Fittings (shop)	980

Dr. Balances continued—	
Bills Receivable	£2000
Salaries of Manager and Shop Assistant	266
A. F. Walker's Drawings	1212
J. B. Smith's Drawings	606
Cash at Bank	2512
Cash at Factory	7
Cash at Shop	50

Cr. Balances—	
A. F. Walker's Cap. A/c	6200
J. B. Smith's Cap. A/c	3500
Sales (factory)	19353
Sales (shop)	7538
Sundry Creditors	2428
Discount (factory)	282
Reserve for Bad Debts as on 1st March, 1905	74
Bills Payable	78

Answer.—*Profit on Shop* £3000; *Gross Profit* £6725; *Net* £3966; *Bal. of Cap. A/cs. A.F.W.* £7942; *J.B.S.* £4391; *Total B/S.* £15073.

6. Prepare Statement of Affairs and Deficiency A/c. of Samuel Hobson. Sundry Debtors:—Good £1280; Doubtful £2800 (estimated to produce £1000); Bad £700; Sundry Freehold Houses, &c. £3300 (estimated to produce £2000); 1000 Ordinary Shares in the Cable Telegraph Co. valued at par £1000; Mining and Railway Shares £9450 (£2500 are held as security by partly secured creditors, and the balance by fully secured creditors). Cash at Bank £420; B/R. (good) £800; Loss through the unsuccessful defence of an action at law £5420; Business Exs. £3200; Preferential Claims for Salaries and Rent £500. Creditors:—Unsecured £16740; Partly secured £5420; Fully secured £3110; Private drawings £1200; Hobson's Capital A/c. £3800. (*Deficiency* £9820.)

7. What books, in addition to the ordinary Books of A/c., do you consider a manufacturer should keep in order to enable him to prepare a complete system of Cost A/cs.? What information do you consider that such a system would provide?

LONDON CHAMBER of COMMERCE (*Senior, 1907*).

1. The Chilworth Motor Co, Ltd., registered in 1903, with nominal Capital of 200,000 6% Preference Shares £1 each, and 200,000 Ordinary Shares £1 each. During the year 1903, the whole of the Pref. Shares and 100,000 of the Ord. Shares were issued to the public and fully paid up, with the exception of £100 calls in arrear

on the Ord. Shares. The Co. was very successful and, during the year 1906, offered the balance of the Ord. Shares to the public at a premium of 10/- per share. All the issue was taken up and duly allotted, payable as to 12/6 per share on application (including the premium), and 7/6 per share one month after allotment. No further calls were made during the year. Set out the Cap. of the Co. as it would appear in the B/S. as on 31st December, 1906.

2. Set out below is a statement prepared by Mr. J, Brown, a Cigarette Manufacturer, claiming to show the result of his year's trading, 31st December, 1906. Do you approve of the statement? Give brief reasons in support of your views.

To Capital	£2659	By Plant & Machinery	£5059
,, Sundry Creditors	9850	,, Furniture & Fittings	187
,, Loan	2000	,, Goodwill	1500
,, Bank Overdraft	2000	,, Stock	6451
,, Balance, being Profit for the year	1591	,, Sundry Debtors	4484
		,, Cash in hand	19
		,, J. Brown, Private Drawings	400

3. How would you deal with the undermentioned items when preparing the annual a/cs. of a limited Co.? (*1*) Transfer of £5000 to Reserve Fund. (*2*) £750 commission and expenses incurred in the issue of £8000, 4°/₀ debentures repayable in 8 years from the date of issue. (*3*) Transfer of £3500 to the Company's own Marine Insurance Fund. (*4*) An issue of 100, 5°/₀ debentures of £100 each @ 95 repayable in 10 years from the date of issue at par.

4. Set out below is the B/S., as on 31st December, 1906, of Messrs. Black & White who are equal partners :—

To Capital :—			By Land & Buildings		£22065
J. Black	£30000		,, Machinery & Plant		12800
W. White	20000	£50000	,, Stock		10760
,, Sundry Creditors		3700	,, Sundry Debtors		4250
			,, Cash at Bank		2750
			,, Investments		1075

A limited Co. with a nominal Cap. of £100,000 in Ord. Shares of £1 each, was formed to acquire and carry on the business. The vendors guaranteed the book debts, and agreed to pay off the creditors. The Co. took over the whole concern with the exception of the cash and investments, the purchase price being agreed at £60,000. The vendors were paid as to £50,000 in fully paid Ord. Shares, and as to the bal. in cash. The bal. of the Share Cap. was taken up by the public and fully paid up. Show the entries to close books of the old firm, and to open those of the new Co.

5. Prepare Trading and P. & L. A/cs. and B/S. for the year ended 31st Dec., 1906, of the Postford Manufacturing Co., Ltd., the nominal Cap. consisting of 40,000 5°/₀ Pref. Shares of £1 each, and 10,000 Ord. Shares of £1 each. No dividend was paid for the year ended 31st Dec., 1905, on either class of share. The Company's books were balanced as on 31st Dec., 1906, **Stock** being valued at £9050. Provide 5°/₀ for bad and doubtful debts. Depreciate Plant and Machinery 10°/₀, Boiler and Heating Plant 10%, Loose Tools 20°/₀. Write off one-third of the Cost of New Catalogue and one half of the Repairs a/c. against the current year, carrying the balances of these a/cs. to next year. Ledger Balances :—

Dr. Balances—	
Purchases	£15345
Buildings	24054
Fuel	435
Plant & Machinery	5654
Boiler & Heating Plant	592
Repairs	472
Loose Tools	1856
Office Expenses	362
Wages	13671
Discount	83
Salaries	1062
Postages & Telegrams	116
Rates & Taxes	239
Travelling	317
Interest & Bank Charges	402
Directors' Fees	300
Stock (1st Jan., 1906)	8990
Dr. Balances continued—	
Sundry Debtors	£9847
Goodwill	4000
Unpaid Calls	50
Cost of New Catalogue	300
Cash in hand	10
Cr. Balances—	
Sales	37950
Res. for Bad and Doubtful Debts as on (31/12/05)	250
Loan on Mortgage (charged on above premises)	8500
Sundry Creditors	10960
P. & L. A/c. (bal. from 1905)	206
Preference Share Capital	17520
Ordinary do.	8000
Bills Payable	2100
Bank Overdraft	2721

Answer.—*Gross* £8994 ; *Net* £4053 17 ; *Total B/S.* £54010 17.

6. The Birget Engineering Co., Ltd., purchased certain patents from Short & Sharp, under an agreement dated 30th June, 1906, at a cost of £40,000. £1000 of this sum was to be paid to the vendors in cash, and the balance in fully paid £10 Ord. Shares. Including the Shares allotted as fully paid to the vendors, the Co. issued Cap. to the extent of £75,000, consisting of £50,000 in Ord. Shares of £10 each (£1 on application, £4 on allotment and £5 at the end of 3 months), and £25,000 in 5% Pref. Shares of £5 each (£1 on application, £2 on allotment, and £2 at the end of 3 months). Under the agreement with Short & Sharp, the patents passed to the Co. on 9th July, 1906, which date was also the date of allotment. All the shares issued to the public were fully subscribed and duly paid for with the exception of £200 Calls in arrear on the Pref. Shares. All cash was paid direct to the Company's Bankers. Make the entries in the books of the Co. to give effect to the above and show how they would appear in the Company's first B/S.

7. In a business consisting of many departments (*e.g.*, Co-operative Stores) how would you suggest that the Stock a/c. should be kept and Stocks recorded, so as to minimise the danger of a false return by the manager on the one hand, and to prevent pilfering on the part of dishonest employees on the other ?

LONDON CHAMBER of COMMERCE (*Senior, 1908*).

1. The Birchets Mineral Water Co., Ltd., sends out cases of aerated water to chemists in various parts of the country "on sale or return." Each chemist is at once debited in the Company's books with the water supplied at the price he is to obtain for it when sold, and is allowed to deduct 10% from this value when accounting for his sales. The personal accounts of all chemists so supplied are included in the ledger balances at the end of the year. How would you deal with these a/cs. when preparing the Company's P. & L. A/c. and B/S.

2. The London and Westminster Grocery Co., Ltd., has a retail branch in Manchester which is supplied with all goods from London. The branch shop keeps its own sales ledger, receives cash against ledger a/cs., and remits the whole of the cash received daily to the Head Office. All wages and branch exs. are drawn for by cheque weekly from the Head Office upon the imprest system. From the undermentioned particulars supplied by the branch manager show how the branch a/cs. would appear in the Head Office books and prepare a P. & L. A/c. for the branch shop for the six months to 31st December, 1907.

Six months Credit Sales	£2387
Returns inwards	20
Cash received on Ledger Accounts	2384
Cash Sales	1214
Stock, 1st July, 1907	720
Stock, 31st December, 1907	1121
Debtors, 1st July, 1907	1227
Goods received from Head Office	2178
Rent, Taxes, etc., paid	375
Wages and Sundry Expenses paid	396

Answer.—*Gross Profit* £1804; *Net* £1033.

3. J. Moss & Co., of London, consign goods to the cost amount of £1500 to their agent J. Solomon, Hong Kong, on which they pay freight, insurance, and charges £55, drawing on him at 90 days for £1300. They discount the bill at Lloyds Bank, being charged £15 therefor. They receive A/S. of the consignment for £1729, less Agents Com., etc., £71, and a draft on the bank of Hong Kong for the balance. Make the entries in the books of Moss & Co.

4. An English Company owns a Tea Plantation in Ceylon. All the tea produced is shipped to a London firm of tea brokers who duly furnish A/S. and remit proceeds to the London office of the Company. The a/cs. of the detailed expenditure in Ceylon are kept in Indian currency and are sent to the Head Office in London monthly. The A/S. and the a/c. of the remittances to Ceylon are kept in sterling. What method would you adopt for dealing with the two currencies employed when writing up the Head Office books?

5. The Chiddingfold Manufacturing Co., Ltd., was registered with a nominal cap. of £100000, divided into 50000 6% Pref. Shares of £1 each, and 50000 Ord. Shares of £1 each. The books of the Co. were balanced as on 31st Jan., 1908, on which date a T/B., containing the following balances, was extracted. Before closing the books the following adjustments are necessary:—Telephone rent paid in advance £25; Travellers' Commission owing £342; Rent due £379; Insurance unexpired £541; Reserve for Discounts, &c., on Sundry Debtors £500; Write off the following Depreciations:—Machinery and Plant 10%; Carts and Horses £214. The **Stock** on hand as on 31st Jan., 1908, was valued at £34839. The Directors decide to write off the whole of the Building A/c. and to transfer £7000 to Reserve A/c. from the profits of the year. Prepare Trading, P. & L. A/cs. and B/S. for the year ended 31st Jan., 1908.

Dr Balances—	
Carriage, Dock Dues & Freight	£4773
Advertising	649
Fuel, Lighting and Water	2163
Postage and Incidentals	590
Catalogues and Price Lists	416
Packing	542
Machinery Repairs	177
Stable Expenses	913
Office Exs., Staty. & Telephone	1022
Debenture Interest	855
Directors' Salaries	1095
Buildings A/c	903
Machinery and Plant A/c	8750
Stock on hand, 1st Feb., 1907	38672
£5000 Consols (at cost) (Investment of Employees Superannuation Fund)	4360
Cash in hand	210
Horses and Carts	720
Purchases	102664
Factory Wages	12704
Salaries & Travellers' Comm.	10691
Dr. Balances continued—	
Rents, Rates, Taxes & Insce.	£3173
Sales Returns	6619
Discount A/c	2762
Bad Debts written off	203
Bank Charges and Interest	42
Legal Exs. and Audit Fee	418
Company's Contribution to Superannuation Fund	516
Debtors per Sales Ledger	19876
Cash at Bank	5764
Cr. Balances—	
Ordinary Share Cap. A/c	5000
Pref. Share Cap. A/c	20000
Debenture A/c. (200 of £100 each at 4½%)	20000
Employees' Superannuation Fund	4360
Transfer Fees	1
Purchases Returns	3748
Sales	174493
Creditors per Bought Ledger	4340
Bills Payable	320

Answer.—*Gross Profit* £47648 ; *Net* £19291 ; *Total B/S.* £73516.

6. On 1st Jan., 1907, A owes B £6000 for which B receives two acceptances from A, one for £2000 payable in two months, the other for £4000 payable in four months, in each case from 1st Jan., 1907. B duly discounts both these acceptances with his bankers on 3rd Jan., 1907, at 4%. Before the first bill becomes due A requests B to assist him in taking it up by providing him with £1000 in cash, and drawing a third bill on A for that amount at three months from the due date of the first bill plus interest at 5% per ann.; B agrees to this proposal and advances the money, discounting the bill with his bankers at 4%. A week before the second bill for £4000 falls due A again asks B to assist him to the extent of £2500. B however is not in a position to do this, as his bankers will not discount any more of A's acceptances, he arranges with A to draw on him (B) two bills for £1131 16 8 and £1408 3 4 at two months and three months respectively from the due date of the £4000 bill. B duly accepts these two bills and remits them to A, who discounts them with his bankers at 4%, and, assisted by the proceeds, duly meets the £4000 bill. B also meets his two bills on maturity. On 7th June, 1907, A becomes bankrupt, leaving his third bill unpaid. Make the entries in B's books.

7. State briefly how you would explain to a Book-keeping class the principles of the "Double Account" system, and enumerate some classes of undertakings to which it is applicable.

LONDON CHAMBER of COMMERCE (*Senior, 1909*).

1. A Limited Company was formed to take over an old established manufacturing business. The purchase price was fixed, by an agreement dated 1st Jan., 1909, at £60000, payable as follows :—

£25000 in £1 Ordinary Shares of the Co. issued as fully paid.
£25000 in 5% Debentures, repayable in 1919 at 105.
£10000 in Cash, payable on 1st February, 1909.

The Co. was duly registered with a nominal capital of £100000, consisting of 100000 Ordinary Shares of £1 each. On 15th January, 1909, 15000 Ordinary Shares were issued to the public and fully paid up with the exception of £150 calls in arrear upon the allotment call. The following is a list of the assets and liabilities taken over by the Co.:—Sundry Creditors £10000; Bills Payable £5000; Sundry Debtors £20000 (Less Reserve for Bad Debts £1500)—£18500; Stock-in-Trade £10000; Machinery and Plant £25000; Loose Tools £4000; Bill Receivable £2500; Cash at Bank £5000. Make the Journal Entries necessary for opening the Co.'s books and the entries required to record the issue of shares to the public, assuming that the 10/- per share is payable on application and 10/- per share on allotment.

2. Jones, for the mutual and temporary accommodation of himself and Brown, draws upon the latter a bill of exchange at three months for £600, dated 1st January, 1908. Jones discounts this bill immediately at his bankers, the rate of discount being 5%, and hands half the proceeds to Brown. Brown, for a similar purpose, and at the same time, draws a bill at three months on Jones for £300. This he discounts at his bankers at 5% and hands half the proceeds to Jones. Brown becomes a bankrupt on 31st March, 1908, and a first and final dividend of 5/- in the £ is paid on his estate on 30th June, 1908. Write up Brown's A/c. in Jones' books. Assume, in each case, that one half of the charge for discounting the bill is chargeable to Brown and one half to Jones.

3. You are preparing the Balance Sheet of a Limited Company of which you are the chief accountant, and find that there are bills under discount amounting to £10750. On going through the books you discover facts which point to the probability that £1000 worth of these bills will be dishonoured on maturity, but that there is a reasonable chance of eventually receiving 10/- in the £ on the £1000. How would you deal with these bills under discount, and how should they appear in the Co.'s published accounts?

4. Robinson, on 31st August, 1907, buys from Tuck & Co., 150 tons of coal at 7/6 a ton at the pit mouth, and pays for them at once by cheque, being allowed a discount for cash of $2\frac{1}{2}\%$. He pays 1/3 a ton for carriage by rail and 9d. a ton for cartage. He sells the coal to a Sheffield Manufacturing Co. at 12/6 a ton on 14th September, and draws a bill, at two months, for the amount. The bill is dishonoured at maturity, but is immediately paid by the manufacturing Co. upon demand being made to them. Draw the bill of exchange and make the entries necessary to record the above transactions in Robinson's books, and show what profit or loss Robinson made upon the deal after charging 10% on the original cost of the coal for establishment expenses.

5. The Engine & Motor Co., Ltd., has a nominal capital of £100000, divided into 75000 ordinary shares of £1 each and 2500 6% cumulative preference shares of £10 each. The books of the Co. were balanced on 31st March, 1908, on which date a T/B.,

containing the following balances, was extracted. Before closing the books the following adjustments are necessary :—(1) A portion of the premises has been sublet, since 1st January, 1908, at £80 per ann., and the rent due to date has not been paid or passed through the books ; (2) The Insurance unexpired amounts to £30 ; (3) 11 months only of the Office Salaries have been paid ; (4) Make the Reserve for Bad Debts equal to an amount representing 5% on the Sundry Debtors (excluding sundry debtors for rent) ; (5) Write off the whole of the Preliminary Expenses ; (6) Write off the following depreciations :—(*a*) Plant and Machinery 10% ; (*b*) Office Furniture 10% ; (*c*) Patterns 15% ; (*d*) Patents 20%. Stock on hand on 31st March, 1908, was valued at £23995, and the Loose Tools at £2730. Prepare Trading, P. & L. A/cs. and B/S. for the year ended 31st March, 1908.

Dr Balances—	
Freehold Premises	£12675
Plant & Machinery	11595
Calls in Arrear	2000
Stock, 31st March, 1907	14665
Office Furniture	545
Loose Tools, 31st March, 1907	3125
Patterns	3155
Patents	1535
Goodwill A/c.	3000
Sundry Debtors	31215
Cash at Bank, Current A/c.	985
Cash at Bank, Deposit A/c.	10000
Cash in hand	45
Sales Returns	975
Purchases	71245
Manufacturing Wages	25595
Repairs & Renewals of Plant	1245
Coal	2765
Gas & Water	475
Rates, Taxes & Insurance	865
Office Salaries	750

Dr. Balances continued—	
Trade Expenses	£2165
Bad Debts written off	615
Directors' Fees	300
Carriage	4155
Audit Fee & Legal Expenses	205
General Expenses	945
Discounts Allowed	1235
Preliminary Expenses	350
Travelling Expenses	465
Cr. Balances—	
Ordy. Share Cap. (50000 shares)	50000
Pref. Share Cap. (2500 shares)	25000
P. & L. A/c. (Bal. 31st Mar. 07)	1545
Sales	107015
Purchases Returns	1675
Sundry Creditors	12805
Bills Payable	8765
Res. for Bad Debts (31st Mar., 07)	1165
Interest on Bank Deposit A/c.	45
Discounts Received	875

What dividend, if any, would you reeommend the Directors to propose, taking into consideration the fact that the dividend on the Preference Shares for the year ended 31st March, 1907, has not been paid ?

Answer.—*Gross Profit* £16050 ; *Net* £1787 ; *Total B/S.* £97970.

6. A Limited Company has a nominal capital of £250000, in 25000 shares of £10 each. Of these, 4000 shares were issued to the vendors as fully paid, 8000 shares were subscribed for by the public, and during the first year £5 per share was called up. 2000 were issued, as fully paid, to persons other than the vendors, in payment for property purchased. On the 8000 shares subscribed for by the public there had been paid at the end of the first year :—On 6000 Shares, the full amount called ; on 1250 Shares, £4 per share ; on 500 Shares, £3 per share ; on 250 Shares, £2 per share. The Directors forfeited the 750 Shares on which less than £4 had been paid. You are required to submit the Journal Entries recording the capital transactions of the Co., and to set out the capital as it should appear in the Co.'s B/S. at the end of the first year.

7. Describe briefly the books of account which you would expect to find in use in a bank. State what the "General Ledger" of a bank should contain, and what information you would expect it to afford.

LONDON CHAMBER of COMMERCE (*Senior, 1910*).

1. What is the difference (if any) between "Fixed" and "Floating" Assets? Designate to which class the undermentioned assets, the property of a boot manufacturer, belong:—Book debts; stock-in-trade; consols £200; plant and machinery; freehold land; bills receivable; goodwill; patents.

2. Prepare the return, for income tax assessment under Schedule (D), for the current year relating to the business of Boorman & Bashall who share profits equally. The P. & L. A/cs. showed the following:—1907 profit £3219; 1908 profit £1294; 1909 profit £1984. Before arriving at the above profits the following items were charged in the a/cs.:—

	1907.	1908.	1909.
Interest on Capital	£490	£510	£520
Income Tax, Schedules (D) & (A)	67	72	84
Partners' Salaries.....	300	300	300
Depreciation on Plant.....	150	165	151
Charitable Donations	15	16	20

The firm's premises are freehold and are assessed for Property Tax, Schedule (A) at £600 per ann. The surveyor of taxes declines to allow the above provisions for depreciation, but agrees to an annual allowance of £100 for wear and tear. Mr. Bashall holds a policy of assurance, with a British office, upon his own life, the annual premium upon which is £56.

3. Robert Webber keeps his books by the "single-entry" method. His position on 31st Dec., 1908, was as follows:—Cash in hand £12 10; Cash at Bank £153; Stock-in-Trade £642 15; Sundry Debtors £421 10; Fixtures and Fittings £89; Machinery and Plant £981; Sundry Creditors £1209 15. During the year Webber withdrew from the business, for private purposes, the sum of £480. On the 31st Dec, 1909, Webber's position was as follows:—Machinery and Plant £1350 10; Fixtures and Fittings £80 10; Sundry Debtors £732; Stock-in-Trade £950 10; Cash in hand £15; Bank Overdraft £500; Sundry Creditors £1400 10. From the above, prepare a Statement showing the profit made by Webber for the year ended 31st Dec., 1909. No depreciation need be written off any of the assets, and no provision for bad and doubtful debts is necessary.

4. What is an "Account Sales?" In what particulars (if any) does it differ from a "Consignment A/c.?" On 15th Oct., 1909, Delmaine Bros., of London, shipped to Donnison & Sons, of Port Elizabeth, 60 cases of mixed Sheffield goods. These goods were invoiced *pro formâ* at £32 10 per case. The London payments in connection with this consignment were:—Insurance £10 12; Freight £54 12; Sundry charges £3 15. The payments made by Donnison

& Sons in South Africa, were :—Storage £16 12 ; Landing charges £6 10 ; Insurance £2 11. On 15th Dec , Donnison & Sons sold 30 cases of goods at £45 per case, on 17th Dec., 25 cases at £50 per case, and on 19th Dec., the balance of the consignment at £51 per case. All the above sales were effected for prompt cash. A commission is payable to Donnison & Sons of 2% on all sales plus 1½% *del credere* commission. On 1st Nov., Delmaine Bros. drew a Bill on Donnison & Sons for £1000, which was duly accepted. Prepare an "Account Sales" showing the result of the above consignment, and show how the transactions would appear in the books of Delmaine Bros.

5. The Wayside Boot Co., Ltd. was registered with a Nominal Capital of £50000, divided into 10000 Preference Shares of £1 each, and 800000 Ordinary Shares of 1/- each. Before closing the books the following adjustments are necessary :—One month's carriage is owing and has not been passed through the books £472 ; Rent due to landlord but not provided for £150 ; Value of Unexpired Insurance premium £197 ; Wages paid in advance £84 ; Reserve to be created for Bad Debts £750 : Write off the following depreciations :—Machinery and Plant 10% ; Horses and Vans £146 ; Land and Buildings 2½% ; **Stock,** 31st Dec., 1909 :—Finished Goods £13241 ; Raw Materials and Unfinished Goods £5192. Prepare Trading and P. & L. A/cs. for the year ended 31st Dec., 1909, and B/S. as on that date.

Dr. Balances—	
Goodwill A/c.	£5000
Pension Fund Investments	4540
Stable Expenses	421
Machinery & Plant A/c.	7455
General Expenses	939
Cost of Trade Catalogues	256
Bank Charges	17
Company's Contribution to Pension Fund	500
Bonus paid to Employees	763
Gas, Electricity and Water	1567
Manager's Salary	1500
Purchases	97651
Directors' Fees	250
Boxes & Packing	674
Discounts allowed	1251
Sales Returns	946
Carriage	3460
Stock in hand, 1st Jan. :—	
Finished Goods	11264
Materials & Unfinished Goods	8457
Cost of Repairs to Machy. & Plant	293
Debtors as per Sales Ledger	16245
Bad Debts written off	315
Factory Wages	7299

Dr. Balances continued—	£	s.
Int. paid on Debentures	238	10
Postage & Stationery	444	-
Horses & Vans	946	-
Audit Fee & Legal Charges	274	-
Rent, Rates, Taxes & Insce.	1173	-
Office Salaries	4216	-
Bills Receivable	1931	-
Advertising	470	-
Freehold Land & Buildings	18442	-
Cash at Bank	3259	-
Cash at Bank (Pension Fund)	440	-
Cash in hand	75	-
P. & L. A/c., 1st Jan.	1236	-
Cr. Balances—		
Ordy. Share Cap. A/c.	35820	-
Pref. Share Cap. A/c.	10000	-
Pension Fund	4980	-
Debenture Cap. (100 5% Debs. of £50 each)	5000	-
Transfer Fees received	1	10
Purchases Returns	1243	-
Bills Payable	2162	-
Discounts received	1978	-
Sales	131276	-
Creditors as per Bought Ledger	11747	-

Answer.—*Gross* £21487 ; *Bal. for Distribution* £4613 9 ; *Total B/S.* £74944 9.

6. Baxter & Sons, whose head office is in London, remitted £500 to their Manchester Branch on 30th Dec., 1909. The books of the Head Office and the Branch are balanced as on 31st Dec. each year.

The above mentioned remittance did not reach Manchester until the morning of 1st Jan., 1910. How would you deal with the amount in question in the Trial Balances of the Head Office and Branch and when preparing the combined B/S. of the whole business?

7. Is there any difference between a Receipts and Payments A/c. and an Income and Expenditure A/c.? The following particulars relate to the Chilworth Literary Society for the year ended 31st Dec., 1909:—Subscriptions received £110; Interest received on Investment £38; net proceeds received from lectures and concerts £232; Rent paid for use of Hall £21; Petty Cash payments £10; Advertising paid £21; Printing Expenses paid £12 10. The Society holds ten 4% Debentures of £100 each in the Universal Library, Ltd. As on 31st Dec., 1909, the Society owed £8 for Rent of Hall and £9 10 for Printing. Prepare the Society's annual Statements of Account for the year ended 31st Dec., 1909.

NATIONAL UNION OF TEACHERS (*Advanced, 1903*).

PART I. **1.** State briefly what you mean by the system known as—(*a*) Double Entry Book-keeping. (*b*) Single Entry, and (*c*) What are the chief advantages to be secured by the adoption of Double Entry? **2.** What is Joint Stock Co.? In addition to the usual Financial Books of a Joint Stock Co., what other books are compulsory? **3.** What is the difference between a B/E. for £1000 payable 3 mos. from the date of acceptance, and an I.O.U. for the same amount? Give an example of the latter. **4.** On the 1st Jan., 1902, Thos. Urgent, of Manchester, draws on John Credit, of London, a 3 mos. B/E. for an amount of his overdue a/c. £175, together with one year's Int. at 5%. The Bill is accepted payable at the Bank of England, London. Give an example of the Bill and endorsement. **5.** Thos. Urgent discounted at the Bank of England John Credit's Bill, and he paid a discount of £3 15s. Show how the transactions appear in Thos. Urgent's Cash Book. **6.** State briefly, in cases where a Joint Stock Co. goes into liquidation, what is the position of:—(*a*) Ordinary Shareholder. (*b*) Debenture Holder. **7.** At the end of the year a merchant finds his Credit balance as per Bank Pass Book to be £960, whilst his Credit balance as per Office Cash Book is only £800. Show by an example how you propose to adjust this.

PART II. Messrs. Smith & Jackson are partners in a manufacturing concern, sharing profits and losses in proportion to their respective Capitals as shown on 1st Jan., 1901; and receiving 5% int. on Cap. On 31st Dec., 1901, **Stock** was valued at £3600, and the following balances were extracted:—**1.** Depreciate the Plant 10%. **2.** Make provision for a new reserve of 5% for bad and doubtful debts. **3.** Allow Jackson, the working partner, a salary of £500 in addition to his other interests in the firm. The Fire Insurance Prem. of £50 was paid out of Trade Exs. A/c. on 24th June, 1901 (6 mos. £25). Prepare a T/B., make the necessary closing entries, raise Trading, P. & L. A/cs. and B/S.

Dr. Balances—	
Cash	£95
Bank	780
Wages	2119
Stock	2935
Purchases	15320
Sundry Debtors	19750
Repairs	75
Bills Receivable	1500
Trade Expenses	700
Buildings	9219
Bad Debts	350
Office Expenses	150
Plant	2300

Dr. Balances continued –	
Discounts	£100
Salaries & Wages	250
Rent, Rates & Taxes	175
Smith's Drawing A/c	500
Jackson's Drawing A/c	300
Cr. Balances—	
Smith's Cap. (1st Jan., 1901)	10000
Jackson's Cap. do.	5000
Sales	25838
Sundry Creditors	13430
Reserve for Bad Debts	500
Bills payable	1850

Answer.—*Gross Profit* £9064; *Net* £5321 10 0; *Capital*: Smith £13547 13 4; *Jackson* £7223 16 8. *Total of B/S.* £36051 10.

PART III. Thos. Jones having been adjudicated Bankrupt in 1902, the following Balances appear in his Books on the above date:—Cash in hand £20, Overdrawn at Bank £150; Stock-in-Trade (cost £800) estimated at £500; Machinery (cost £500) estimated at £400; Trade Fixtures (cost £300) estimated to produce £120: Book Debts, Good, £500 (estimated to produce £500); Doubtful, £250 (estimated to produce £100); Bad, £250; Unsecured Crs., £2500; Crs. fully secured (£500); estimated value of security, £600; Liabilities on Bills, £400; Creditors for half-year's Rent, £50; Rates and Taxes (12 mos.) £10; Domestic Servant's Wages (3 mos.) £30; Prepare Statement of Affairs for presentation to the first meeting of Creditors. **Answer.**—*Deficiency* £1400.

NATIONAL UNION OF TEACHERS. (*Advanced, 1904*).

PART I. **1.** Having been appointed Book-keeper to the Quick Trading Co., where a/cs. have been kept by what is described as Single Entry, you are requested to prepare a P. & L. A/c. and B/S. State clearly the methods you would adopt. **2.** What entries would it be necessary to make in your books under the following circumstances:—(*a*) Hardup, who is your debtor for £500, files his petition. (*b*) Advertisements in the local papers to the effect that a Receiving Order has been made against him. (*c*) You receive an official communication to the effect that he has been adjudicated bankrupt. (*d*) First and final dividend of 7/6 in the £ declared and received by you. (*e*) How would you treat the balance of his a/c.? **3.** Day, Month and Year arrange to become partners, each having a Cap. on the 1st Jan., 1903, of:—Day £5000, Month £3500, Year £2500. The Partnership Agreement makes no provision for Int. on Drawings, but each partner is to be entitled to 5% int. on Cap. and Profits (or losses) are to be borne equally. At the end of 12 months, during which period Year has advanced a further sum of £1000, the gross profits amounted to £3000, and the Wages, Bad Debts, Rent, &c., £2500. The Partners' Drawings had been as follows:—Day £100, Month £150, Year £180. Make out P. & L. and Cap. A/cs., as on 31st Dec., 1903. **4.** Briefly define the following:—(*a*) Nominal Cap. (*b*) Subscribed Cap. (*c*) Issued Cap.

(*d*) Paid-up Cap. (*e*) Ordinary Shares. (*f*) Deferred Shares. (*g*) Preference Shares. (*h*) Founders' Shares. **5.** What do you understand by "Contingent Liabilities"? How are they treated in the B/S.? Name the principal items coming under this head. **6.** State briefly the meaning of :—Royalties, Minimum Rent, Short Workings, or Redeemable Dead Rents. The Minimum Rent is £500, and the Royalty Rent for the first year is £600, the second year £450, and the third year £800. Illustrate by Journal entries.

PART II. Prepare Final A/cs. of John Combine, Steel Merchant, on 31st Dec., 1903. **Stock** valued at £3500. Bad Debts £400. A Reserve of 5% on Debtors must be maintained. Depreciate Plant 10%, Charge 5% on Capital. Combine introduced an extra £500 Capital on 1st December.

Dr. Balances—	
Stock	£9600
Wages	3200
Railway Charges, &c.	500
Purchases	12000
Interest on Overdraft	20
Bills Receivable	600
Rents, Rates, &c.	200
Plant & Machinery	2000
Travelling Expenses	500
Repairs to Plant (aver. £100)	160
Cash	200
Discount on Sales	500
Returns	100

Dr. Balances continued—	
Sundry Debtors	£3500
Office Expenses	500
Income Tax	50
Drawings as against Profits	500
Cr. Balances—	
J. Combine, Capital	5000
Bills Payable	500
The Consolidated Bank	400
Sales	25000
Reserve for Bad Debts	500
Discount on Purchases	400
Sundry Creditors	2330

Answer.—*Gross Profit* £3600 ; *Net* £1087 18 4 ; *Capital* £5815.

PART III. Arrange Combine's A/c. for presentation to the Income Tax Commissioners. **Answer.**—*Profit assessable* £1425.

NATIONAL UNION OF TEACHERS (*Advanced, 1905.*)

PART I. **1.** What is meant by the Imprest System of Petty Cash? What method would you adopt in small business concerns with reference to the Totals of Petty Cash? **2.** What is meant by an Income and Expenditure A/c.? Give an example of the same, not more than six transactions ; also an example of a Receipts and Payments A/c. What is a Revenue A/c.? **3.** What is meant by : (*a*) Floating Capital ; (*b*) Cumulative Preference Shares ; (*c*) Fixed Capital ; (*d*) Registered Debentures ; (*e*) Debentures to Bearer? **4.** On 1st Jan., 1902, your Reserve A/c. has a credit bal. of £500, and on 31st Dec., 1902, £700 of the Profit for the year are transferred to the same A/c. Draw up a Reserve A/c. incorporating these items, and show how you would deal with the bal. in the B/S. at the end of the year. If the bal. of the Reserve Fund were invested outside the business altogether, how would you show that amount in the B/S. Give an example B/S. **5.** At the time of balancing (31st Dec., 1903) your Banking A/c. has been written up and balanced, showing a Credit Balance of £500, but cheques passed for payment before that date, amounting to £250, have not been cleared. On 31st Dec., 1903, you had also received a cheque for £20, from a customer, in settlement of his a/c., and although you had dealt with

that amount through your office Cash Book, you had omitted to pay the same into your Banking A/c. Draw up a Reconciliaton A/c., showing adjustments between your C.B. and Bank Pass Book.

PART II. Prepare Trading, P. & L. A/cs., and B/S. of John Goodwill & Co., on 30th June, 1903, dividing the profits or losses equally. **Stock** reckoned at selling price £3000, the cost being 20% less than this amount. Stock of Packing Materials £20, Reserve 5% for Doubtful Debts and 10% for Discount on Debtors. Plant and Machy. was bought 1st July, 1900, for £3000; its life is calculated to be 20 years, when it will be entirely replaced; allow for depreciation at such a rate as will reduce the book-value to nil by 1920. On 1st June, 1903, one of the firm's horses, valued at £50, died. Create a Reserve A/c. showing the old Reserve standing on the books, the bad debts written off for the period just ended, also new Reserve for the current period.

Dr. Balances—	
Plant & Machinery	£3000
Sundry Debtors	2000
Cash	20
Horses and Carts, 1st Jan.	500
Purchases	14000
Stock, 1st Jan., 1903	2000
Packing Materials	150
Miscellaneous Expenses	400
Horsekeep	100
Carriage	200
Discounts for Cash	240
Bad Debts	70
Furniture	1000

Dr. Balances continued—	
Rent	£200
Wages	5000
Salaries	1000
Travelling Expenses	150
Cr. Balances—	
John Goodwill (Capital)	1730
Tom Nojan (Capital)	1730
Sundry Creditors	950
Sales	25000
Bank	500
Doubtful Debts Reserve	90
Auditors' Fees	30

Ans.—*Gross* £6070; *Net* £3210; *Cap. J G.* £3335; *T.N.* £3335.

NATIONAL UNION OF TEACHERS (*Advanced, 1906.*)

PART I. **1.** The books of a retail tradesman have been kept on what is commonly called the Single Entry System. State what steps you would take to convert the method of book-keeping to the Double Entry System. **2.** What do you understand by the term "Goodwill" as applied to book-keeping? How would you advise a trader to deal with the asset in his books? **3.** Give the meaning of not more than *four* of the following mercantile terms, namely:—(*a*) Charter Party, (*b*) Bill of Entry, (*c*) "Average Clause" as applied to a Fire Insurance Contract, (*d*) Referee in case of need, (*e*) Sinking Fund, (*f*) Legal Tender. **4.** You are appointed Secretary to a business recently registered as a Limited Liability Co., but the necessary A/cs. have not been introduced. Give the names and short particulars of the statutory books which you would be required to keep. **5.** Prepare a Statement for the Income Tax Commissioners from the following:—Gross Profits for the year are £6000, Rent £600, Salaries and Wages £800, Rates £50, Improvement of Premises £100, amount written off for Bad Debts £300, Income Tax £150, Trade Exs. £50. **6.** The assets of a trader in the Grocery business on 31st Dec., 1902, as shown by his audited a/cs., were

£6000, and his liabilities were £4000; he files his Petition in Bankruptcy on 30th September following, and he then estimated his deficiency to be £3000. You are requested to prepare *pro formâ* Deficiency A/c. showing this deficiency.

PART II. Prepare Trading, P. & L. A/cs. and B/S. of Messrs. Arthur Wilson and John Bookman, Cigarette Merchants, on 31st Dec., 1904, dividing profits equally. **Stock** £12896. Allow Int. on Partners' Cap. at 5% from 1st July, 1904. Write off half of Macmillan's Dishonoured Bill. Reserve 5% on Sundry Debtors.

Dr. Balances—	
Wilson's Drawings, including Interest	£640
Bookman's do. do.	410
Bills Receivable	950
Plant & Machinery	2880
Sundry Drs. (including John Macmillan, for dishonoured bill, £100)	6200
Wages, Manufacturing	4097
Returns	278
Purchases (including Government Duty)	25659
Rent, Rates & Taxes	562
Stock	8968
Salaries & Wages	1100
Travelling Expenses	130
Expenses of Licenses	58
Dr. Balances continued—	
Insurance, &c. (including Premium of £30 per ann., paid to end of March, 1905)	£40
Cash	53
Bank	1897
Repairs & Renewals	337
Interest & Discount	587
Bad Debts	362
Fixtures & Fittings	897
Cr. Balances—	
A. Wilson, Capital A/c	7250
J. Bookman, Capital A/c	4685
Loan A/c	2000
Sales	35643
Commission	564
Sundry Creditors	5963

Answer.—*Gross Profit* £9537; *Net* £6276 12 6; *Capital*: *A.W.* £9929 11 3; *J.B.* £7530 8 9. *Total B/S.* £25423.

NATIONAL UNION OF TEACHERS. (*Advanced, 1907*).

PART I. **1.** (*a*) A Bill for £105 is drawn at six months from the 1st Oct., 1906, by Smith on Rhodes and accepted by the latter payable at Parr's Bank. What Stamp Duty does this Bill require, and when is it due for payment? (*b*) on the 11th Dec., 1906, Smith discounts the Bill with Hirst, and receives £100 cash. (*c*) The Bill is dishonoured on maturity, but is taken up by Smith on the 7th April, 1907. Show by means of the Journal the entries to record the above transactions (*a*), (*b*), and (*c*)—in Smith's books.

2. Give the meanings of the following terms, namely:—Lien, Accommodation Bill, Gilt-edged Securities, Statute of Limitations, Manifest, Secret Reserves. **3.** State the chief difference between Books kept in an ordinary Partnership and those kept in the case of Limited Liability Companies. **4.** What is the difference between a T.B. and a B.S.? The Dr. Balance of a Personal A/c. amounting to £250 has been carried to the Revenue A/c. in error. How will this affect (*a*) the T.B. and (*b*) the B.S.? **5.** Explain what is meant by the following:—(*a*) Reconciliation Statement. (*b*) Lease Redemption A/c. (*c*) Deferred Shares. (*d*) Rebate A/c. **6.** What is the difference between:—(*a*) Consignment. (*b*) Joint Adventure. How would you deal with the Consignments not completed at the date of balancing?

PART II. Prepare Trading, P. & L. A/cs. and B.S. of Brownson & Co., Ltd, whose nominal capital consists of 8000 shares of £1 each, and 15s. per share has been called up, all of which have been issued, but 80 shares were forfeited on the 1st Feb., 1905. On the 31st March, 1906, the Ledger Balances were as below. **Stock** £2456; Wages (unpaid), £50; Interest on Bank overdraft, £36. Bring up the Bad Debts Reserve A/c. to 5% on Sundry Debtors. Also provide £60 for Depreciation of Plant and Machinery. On the 1st April, 1904, it was decided to spread the Preliminary Exs. over a period of six years; the amount originally was £600.

Dr. Balances—	
Bad Debts	£220
Cash	95
Stock (1st April, 1905)	2056
Horses, Carts, &c.	478
Preliminary Expenses	500
Discounts	126
Bills Receivable	1488
Plant & Machinery	1286
Interim Dividend	750
Premises A/c.	2000
Salaries	1200
Sundry Debtors	3172
Directors' Fees	200
Furniture & Fittings	412
Wages	5802
Dr. Balances continued—	
Purchases	£1525
Carriage	250
Travelling Expenses	607
Rates, &c., for the half-year ended 30th Sept., 1905	50
Cr. Balances—	
Capital paid up	5940
Bills Payable	1000
Sundry Creditors	2079
Bad Debts Reserve	120
Reserve A/c.	500
Bank	900
Forfeited Shares A/c.	10
P. & L. A/c., Appropriation A/c.	100
Sales	11568

Answer.—*Gross* £4341; *Net* £1653 8; *Total B/S.* £11568 8.

PART III. From the following particulars make out the Statement of Affairs of Thos. F. Sellers for submission to his creditors assuming that the Stock, Doubtful Debts, and fixtures will realise 50% of the value mentioned. Good Book Debts £3872; Doubtful £1500; Bad £2500; Unsecured Crs. £7278; Bills Payable £1200; Stock £1200; Fixtures, &c. £300; Partly Secured Crs. £872; Estimated Value of Securities £550; Cash at Bank £150; Preferential Crs. £267; Crs. Fully Secured (Estimated value of Securities £2500) £2200.

NATIONAL UNION OF TEACHERS (*Advanced, 1908*).

PART I. **1.** Explain briefly and comment upon some system of Departmental A/cs. with which you are familiar. **2.** Give definitions of, and differentiate, the following well-known terms:—(*a*) Reserve; (*b*) Reserve Fund; and (*c*) Sinking Fund. In the case of a Limited Company, what would guide you in deciding as to whether an amount was a Reserve or Reserve Fund? **3.** What do you understand by the following terms:—(*a*) Floating Assets; (*b*) Fixed Assets; (*c*) Preliminary Exs., and how dealt with; (*d*) Self-balancing Ledgers; (*e*) Watering of Stock; (*f*) Allonge. **4.** (*a*) What undertakings, in general, keep their A/cs. upon the Double Account System? (*b*) What is the principal, if not the sole, reason for employing this form of a/cs.? **5.** Show the Ledger entries to

describe the following :—(*a*) 1905. Jan. 1. Bad Debts Reserve of £860 standing on the books. (*b*) 1905. Dec. 31. Total of Bad Debts A/c. £1000. (*c*) 1905. Dec. 31. Adjust the Reserve A/c. so that it may show a Reserve of 7½% on the Book Debts, which are £15000. (*d*) Assuming that business has been continued for another twelve months, *i.e.* up to 31st Dec., 1906, the Bad Debts are then £1100. Adjust the reserve, so that it may show a reserve of 7½%, on the amount of Book Debts, which are then found to be £12674. **6.** Show by Ledger entries *only* what the total amount of an Investment A/c. would be at the end of six years' Compound Interest (yearly) 2½%—neglect fractions of a penny. The amount invested *yearly* is £250. **7.** There is a distinct difference when dealing with depreciation in Double A/cs., as compared with the Single A/c. System. How is depreciation dealt with in the Double A/c. System ?

PART II. **Water A/cs.** (Municipal). **8.** How would you deal with the following transactions in the books relating to a Municipal Water Works ? Your answers may take the form of Journal entries. (1) The borrowing of £10000 from the Atlas Assurance Co., at 4% int., repayable by equal annual instalments of principal in 20 years with int., half-yearly on the bal. outstanding. (2) The payment of the first year's instalment of principal. (3) The payment of six mos'. int. (less income tax at 1/- in the £) on the bal. outstanding after payment of the first year's instalment of principal. Income tax paid to Commissioners in the usual way. (4) The payment to Stone & Co., Contractors, of a sum of £500 (less 20% retention money) in respect of a contract for laying water mains. (5) The purchase of sundry materials worth £78 9 6 from S. Johnson & Co. (6) Payment to S. Johnson & Co., of the above amount. (7) The using of £15 worth of the above materials for repairs of mains.

Gas Accounts. 9. Open and post up Ledger A/cs. recording the following :—(*a*) The charging of sundry consumers with £320 10 for gas consumed. (*b*) The receipt of same in cash from sundry persons, less 5% dis. (*c*) The sale of 20 tons 5 cwts. of coke at 6/8 per ton to John Smith on credit. (*d*) The receipt of £5 on a/c. of above from John Smith. (*e*) The purchase of gas fittings worth £125 from "A.B." Company on "sale or return" (*f*) The return of £20 worth of fittings to the "A.B." Company.

10. From the following balances (shown by the books of the Universal Jewellery Co., Ltd., on the 31st Dec., 1905), prepare Trading, P. & L. A/cs. and B/S. Value of **Stock** 31st Dec., 1905, £120550. Adjustments necessary before closing the a/cs. :—(*a*) Depreciation to be written off Plant and Machinery at the rate of 7½% per ann., off Patents at 15% per ann., and Premises 5%. (*b*) Provision for Bad and Doubtful Debts 5%. By reason of losses application was made for leave to reduce the capital by £50000. Show by Journal entry how this would be effected.

Dr. Balances—	
Purchases	£569842
Stock, 1st Jan., 1905	65892
Patents, Unexpired	1560
Freehold Premises, 1st Jan., 1905.....	5026
Wages (remunerative)	25090
Do. (unremunerative)	2060
Unpaid Calls A/c.....	200
Cash (Office)..... ...	125
Bad Debts.....	476
Repairs to Building.....	56
Interest on Overdraft	360
Plant and Machinery	10140
Salaries & Directors' Fees.....	3400
Bills Receivable	6060

Dr. Balances continued—	
Rates & Taxes	£1578
Debtors	5175
Sundry Office Expenses	275
P. & L. A/c. (loss from previous year)	7050
Dr. Balances—	
Bank Overdraft	8060
Bills Payable	30900
Share Capital A/c.....	150000
Unclaimed Dividends	106
Bad Debts Reserve	150
Sundry Creditors	9086
Outward Returns	1500
Sales	504203
Rents from Property.....	260

Ans.—*Gross Loss* £34571 ; *Net Loss* £43770 11 ; *Total B/S.* £197952.

PART III. Prepare the *Income* and *Expenditure* A/c. of the *Carlton Club* for the year ended 31st Dec., 1907. Rent, Rates and Taxes (not paid) £50 ; Fuel and Gas £40 ; Caretakers' Wages £68 ; Printing and Stationery £30 ; Repairs £12 ; Salaries £100. Subscriptions due or accrued £200 ; Donations £50 ; Billiard Room £60 ; Refreshment Room £100 ; Sundry hiring £20.

Answer.—*Balance, being Net Profit,* £130.

NATIONAL UNION OF TEACHERS. *(Advanced, 1909.)*

PART I. **1.** On account of heavy losses the Directors of a Limited Co., obtain power to reduce the Cap. from 100000 shares of £1 each, 10/- per share paid-up, to 100000 shares of 5/- each fully paid. State what entries in the financial books are necessary to give effect to this. **2.** Explain :—Assignee, Bond to Bearer, Cheap Money, Corpus, Drawback, Lloyd's Bond. **3.** The Golden Hill Co., Ltd., has a balance of £18000 to the credit of P. & L. A/c., on 31st Dec., 1908. On 1st Feb., 1909, it was resolved to appropriate the amount as follows :--£3600 to Reserve Fund. Dividend of 10% (less Income Tax, 1s. in the £) on 10000 Pref. Shares of £5 each fully paid. Dividend of 15% (free of Income Tax) on 10000 Ord. Shares of £5 each fully paid, and carry the balance forward. Make out (1) P. & L. Appropriation A/c., (2) Dividend A/c., (3) Income Tax A/c., and (4) Reserve Fund A/c. **4.** On 1st Jan., 1909, the Directors of a Company pass a resolution forfeiting 100 Ord. Shares of £1 each, upon which a deposit of 2s. 6d. per share has been paid, but upon which 7s. 6d. due on allotment and a further call of 5s. per share remain unpaid. On the same date they re-issue the shares to James Brown, credited with 15s. per share paid up for £70. Show in Journal form the necessary entries in the financial books of the Company.

PART II. Make out from the following T.B. as on 31st Dec., 1908, of The Trent Valley Water Co., (1) Capital A/c., (2) Revenue A/c., (3) Net Revenue A/c., (4) Reserve Fund A/c., (5) General B/S. The Reserve Fund is to be raised to £500, and National War Loan Stock increased to a like amount at par, to be known in future as Reserve Fund Investments.

Dr. Balances—	
Expended on Purchase of Land	£3000
Do. Construction of Works	102330
Do. Mains and Service Pipes	11920
Do. Meters	1050
Do. Parliamentary exs.	2000
Sundry Debtors	48
Debtors for Water Rates due	1242
Stores on hand	340
Investments—National War Stock, at par	250
Cash in hand	60
Cash at Bank	3353
Salaries	600
Printing	50
Incidental Expenses	37
Maintenance of Pumping Stations	1705
Maintenance of Reservoirs	500
Do. Filter Beds	150
Dr. Balances continued	
Repairs to Mains	£220
General Repairs	155
Directors' Fees	400
Auditors' Fees	50
Rates and Taxes	2500
Int. on Deb. Stock to date	1000
Div. on Pref. Shares to date	1200
Interim Div. Ordy. Shs. 1.8.08	3000
Cr. Balances—	
60000 Ord. Shares £1 each	60000
20000 Pref. Shares £1 each 6%	20000
Debenture Stock, 5%	20000
Premiums on Shares	20000
Sundry Creditors	841
Reserve Fund	258
Water Rents	14667
General Rents	350
Transfer Fees	24
Unclaimed Dividends	20
Bal. Net Revenue A/c. 1.1.08	1000

Answer.—*Cap. Bal.*, £300; *Revenue Bal.*, £7674; *Net Revenue Bal.*, £4232; *Total B/S.*, £5593.

PART III. Prepare Statement of Affairs and Deficiency A/c. as on 31st Dec., 1908, of Black & White. Cash in hand, £200. Book Debts :—Good, £2000; Doubtful, £300 (estimated to produce £100); Bad, £500. Stock-in-trade valued at £1900. Freehold Property cost £3000, estimated to produce £2500; this property is assigned to creditors for £2300. Shares held £150, these are given as security for a debt of £400. Creditors :—Unsecured on open A/c., £5000; on Bills payable, £1000. Partially secured by shares, £400. Fully secured on Freehold Property, £2300. Preferable claims for Taxes, Wages, and Salaries, £100. Black's drawings, £2000; White's drawings, £2850. The business commenced on 1st Jan., 1906. Black put into it £2500, and White £2900. The first year showed a profit of £3000, but the next two years showed a loss of £4300. No provision was made for Bad Debts.

Answer.—*Deficiency*, £1950.

NATIONAL UNION OF TEACHERS (*Advanced, 1910*).

1. The following balances composed the B/S. of John Brown, Ltd. :—Cash £6000, B/R. £1200, Sundry Debtors £2500, Stock £5000, Capital £10000, B/P. £800, Sundry Creditors £1400, Divisible Profit £2500. It was resolved to start a Reserve Fund with such an amount of the Balance of Profit as would, when invested, purchase £1500 Consols at 85 (charges neglected). Give the Journal entries to effect this; set out the Ledger A/cs. for Investments, Reserve Fund, P. & L.; also draw up a new B/S. showing these changes. **2.** The Timbuctoo Railway Co. issued its prospectus on 1st Jan., 1910, inviting applications for 200,000 shares of £5 each, payable £1 per share on application, £1 on allotment on 10th

Jan., and £3 on 1st March. In addition, there was an issue of £1,000,000 3% Redeemable Debentures, payable as to 5% upon application, and 95% on 31st Jan. The whole of the issues were applied for and the cash duly received, with the exception that, on 25th March, the directors resolved that 10 shares upon which application and allotment money had been paid should be forfeited for non-payment of the call of £3 per share on 1st March. Give the Journal entries for the above, omitting cash. **3.** A colliery is worked under a lease granted by the Lord of the Manor at a royalty of 6d. per ton, but with a minimum annual rent of £1200, with power to recoup short workings. During the first year, 40000 tons are raised; second year, 44000 tons; third year, 52000 tons; fourth year, 50000 tons. Make out Ledger A/cs. for Royalties, Lord of the Manor, and Overpaid Royalties; and say how you would deal with the balance of Overpaid Royalties when making up the Annual A/cs.

4. From the following figures relating to the Devonshire Life Assurance Co., compile its Revenue A/c. and B/S. for the year ending 31st Dec., 1910, in the prescribed form. Shareholders' Capital, £250,000 in 2500 Shares of £100 each, with £10 paid up on each.

Shareholders' undivided Profits £33786; Life Assurance Fund on 1st Jan., 1909, including paid-up Cap. and undivided Profits	£1825412
Claims by death £93067; Claims matured by survivance	47466
Surrenders £8636; Commission £8224; Premiums	134872
Interest, Dividends and Rents received	72563
Management Expenses £25860; Dividends to Shareholders	3265
Fines and Fees £201; Income Tax	3525
Written off Securities upon Re-valuation	17089
Mortgages in U.K. £172332; Loans on Company's Policies	90152
Freehold Ground Rents £1218310; Claims admitted but not paid £5846; Claims announced—not admitted	22846
Colonial Government Securities £147259; Railway Shares	74145
House Property £105292; Agents' Balances outstanding	19976
Outstanding Interest and Rents receivable	16968
Outstanding Premiums—Head Office £1465; Sundry Crs.	142
Cash in hand and at Bank £5994; Furniture and Fittings	2857

Answer.—*Total Revenue A/c.* £1974262; *Total B/S.* £1854750.

5. The following are the balances of the Great Southern Railway for the half-year ending 31st Dec., 1909. Make out in the prescribed form:—(1) Capital A/c.; (2) Revenue A/c.; (3) Net Revenue A/c.; (4) General B/S.

Ordinary Stock £5192500; 4% Preference Stock	£2702711
Debenture Stock £1526258; Premiums received	55653
Expended upon lines open for traffic to 30th June, 1909	9181704
Expended on the above during current half-year	44304
Expended upon Working Stock to 30th June, 1909	616961

Expended upon Working Stock during current half-year..	£654
Expended upon Maintenance of Way, Stations, &c.....	38373
Expended upon Locomotive Power	93008
Expended upon Carriage and Waggon Repairs.....	14858
Expended upon: Traffic Exs. £61098; General Charges..	13342
Expended upon Dock and Harbour Exs. and Repairs....	9371
Expended upon: Shipping Exs. £18199; Law Charges..	2697
Expended upon: Parliamentary Exs. £3834; Compensation	354
Expended upon: Mileage & Demurrage £447; Rates & Taxes	31060
Expended upon Government Duty	395
Receipts from Parcels, Carriages and Horses	9578
Receipts from: Passengers £106401; Mails	2641
Receipts from: Merchandise £43508; Minerals £280448; Shipping	19355
Receipts from: Docks and Harbours £39501; Rents	3977
Interest on Debenture Stock	22894
Rents payable on Leased Lines, Guarantees, &c.	31876
Balance to Credit of Net Revenue A/c., 30/6/09.....	62666
General Interest A/c.—Credit Balance.....	290
Cash in hand and at Bank	45528
General Stores—Stock on hand.....	39363
Traffic A/cs. due to the Company.....	73658
Amounts due from other Companies.....	12356
Amounts due from Post Office £1446; Sundry Debtors ..	25103
Unpaid Dividends and Interest	2612
Debts due to other Companies	59730
Amount due to the Clearing House	12417
Sundry Creditors and Suspense A/cs.	198806
Fire Insurance Fund £23945; Reserve Fund.....	22419
Employées' Savings Bank Deposits	17467

Answer.—*Capital A/c. Balance* 366501; *Revenue A/c. Balance* 218373; *Net Revenue A/c. Balance* 226559; *Total B/S.* 463955.

LANCASHIRE & CHESHIRE INSTITUTES. (*Advanced, 1903.*)

PART I. (1) What books is a Company registered under the Companies' Acts required by statute to keep? (2) Define as accurately as you can a Bill of Exchange and a Promissory Note. (3) What is a del credere Agent? (4) How would you treat a partly sold consignment in a B/S.? (5) How would you proceed to find an error in a T/B.? (6) What is the difference between an Income and Expenditure A/c. and an A/c. of Receipts and Payments?

PART II. On 31st December, 1902, the T.B. of Thomas Loose & Co., Ltd., was as under. Prepare a P. & L. A/c. and B/S. after making necessary adjustments. Write 5% Depreciation off Plant; 1½% off Land and Buildings. **Stock** £25943 2s. 11d.

Dr. Balances—			
Unpaid Calls	£87	2	6
Debtors	6880	3	6
B/R.	3148	10	10
Cash	61	11	9
Cash at Bank	5284	12	8
Land & Buildings	38080	-	-
Plant	56230	-	-
Consignments*	2694	18	3
Stock, 1st Jan.	21721	19	4
Suspense A/c.	186	-	-
Int. on Debentures and Loans to 30th Sept.	1725	-	-
Trade Charges	9126	17	5
Wages	25683	12	8
Directors' Fees	750	-	-

Dr. Balances continued—			
Management & Office Salaries	£2201	12	6
Agency Expenses	876	15	4
Raw Materials	52020	16	10
Repairs	2373	17	8
Cr. Balances—			
Share Capital 100000 shares of £1; 17/6 paid	87500	-	-
4½% Mortgage Debenture Stock	50000	-	-
P. & L. A/c.	604	3	7
Trade Creditors	4630	1	11
Loans at 5%	1000	-	-
B/P	716	12	-
Sales	84682	13	9

* This has been treated as a loss.

Ans.—*Gross Loss* £622 7 10; *Net* £12507 7 4; *Deficiency* £11903 3 9.

PART III. Richard Humphrey's B/S. on 31st Jan., 1902, was as follows:—**Assets:**—Sundry Drs. £106 2s. 3d.; Stock at cost £395 11s. 9d.; Cash in hand £1 2s. 11d.; Shop fittings at cost £173 12s. 6d. **Liabilities:**—Bank Overdraft £241 19s. 3d.; Trade Crs. £378 14s.; John Joker, for Rent, £15; Capital £40 16s. 2d. Being pressed by creditors he filed his petition in bankruptcy. On going through the list of debtors he found that of the amount entered in the books £60 11s. 3d. was irrecoverable, and that accounts amounting to £10 11s. 6d. were disputed. He estimated that the stock, if sold by auction, should realise £315, and that the shop fittings would realise £45. His household furniture was estimated at £280. He owed to sundry tradesmen £55 4s. 6d., and a year's rent for his dwelling-house at £35 per ann. He also owed £2 1s. 6d. Income Tax, and £8 15s. for Rates. The shop assistant had not received her wages for the previous two weeks at 17s. 6d. a week. Prepare Statement of Affairs. **Answer.** –*Deficiency* £62 6s. 10d.

Lancashire and Cheshire Institutes (*Advanced, 1904*).

PART I. **1.** If you were given books which had been kept on Single Entry for some years, how would you convert the system to Double Entry? **2.** Give a specimen ruling of a purchase book suitable for a home trade warehouse, and make three entries. **3.** In the case of a sale and purchase of a business, when all the books are taken over, what entries are necessary? **4.** What are the meanings of the following terms:—Founders' Shares, Mortgage Debenture, Preference Share? **5.** Give the ruling for a Share Register. **6.** Describe sectional balancing of books

PART II. **7.** Prepare Trading, P. & L. A/cs. and B/S. of John Stephens & Co., Ltd., from T.B. dated 31st Dec., 1903, the **Stock** being £3197 16. Write 2½% off Land and Buildings; 6% off Machinery and Plant; 10% off Goodwill; 25% off Formation Exs.; and 7½% off Office Furniture. The Company was registered on 15th Dec., 1902, and commenced trading on 1st Jan., 1903. Capital £80000, divided into £30000 £5% Cumulative Pref. Shares of £1 each fully paid; and 50000 Ord. Shares of £1 each, 40000

having been issued and 15/- per share having been called up. The dividends upon the Pref. Shares are payable 1st April and 1st Oct.

Dr. Balances—			
Sundry Debtors	£9507	3	9
Patents, 2 years expired	3000	-	-
Royalties	294	8	11
In. Div. paid on Pref. Shs. less Tax, 1st Oct.	1073	8	9
Chief Rents	12	4	8
Land & Buildings	17600	-	-
Plant & Machinery	28896	14	-
Office Furniture	412	10	-
Goodwill	10526	5	4
Cash in hand	78	4	6
Bank	4493	2	8
Interest	408	-	-
Int. on Mortgages to 30th June, less Tax	190	16	8
Directors' Fees	350	-	-

Dr. Balances continued—			
Management and Office Salaries	£1530	-	-
Wages	20921	11	8
Formation Expenses	2397	18	4
Calls in Arrear	50	-	-
Suspense	1816	12	9
Cottages	2000	-	-
Trade Expenses	6772	6	2
Purchases	49793	4	10

Cr. Balances—			
Mortgages at £4%	10000	-	-
Sundry Creditors	7194	-	9
Rents of Cottages	102	9	6
Transfer Fees	1	12	6
Sales	84326	10	1

Ans.—*Gross Profit* £16515 - 8 ; *Net* £3048 18 5 ; *Balance c/f.* £1600 9 8.

PART III. **8.** From No. 7 make out the Income Tax Return for the first year's working.

Lancashire and Cheshire Institutes (*Advanced, 1905*).

PART I. **1.** What entries would you make recording the forfeiture of shares on which two calls had been paid? **2.** In what classes of undertakings is the Double A/c. system generally adopted? What do you understand by this system? **3.** What is the object of book-keeping? **4.** In the *Manchester Guardian* of 27th Jan., there appeared the following :—"Three of the London Banks were calling in money to-day for 'Window Dressing' purposes, and owing to the apparently heavy revenue payments just now bankers' balances were not large enough to meet the ordinary demands of the money market." What do you understand by this? **5.** How would you deal with consignments? (*a*) In the books of the consignor? (*b*) In the books of the consignee? **6.** What is a Sinking Fund, and how does it operate?

PART II. **1.** John Green, Cap. £8000; Hy. Richards, Cap. £7000; Reginald Everitt, Cap. £5000; trade together as Green, Richards & Co., each partner is entitled to a salary of £500 per ann., and 5% Int. on Cap. Prepare Trading, P. & L. A/c., and B/S. on 31st Dec., 1904, the **Stock** being £8316 19 10; and write 7½% Depreciation off Machinery and 2½% off Works.

Dr. Balances—			
Debtors	£5162	11	1
Bills Receivable	365	10	-
Stock, 1st Jan., 1904	7017	13	8
Purchases	62169	7	3
Wages	3013	4	4
Salaries of Staff	618	13	8
Office Expenses	493	8	5
Property—Works	6500	-	-
Machinery	10000	-	-
Cash	16	14	11
Bank	1029	17	7
Discount	394	11	3
Interest on Loans	12	10	-

Dr. Balances continued—			
Insurance	63	4	-
Consignments*	198	10	-
Bad Debts	17	2	6
Sundry Trade Charges	2838	18	9

Cr Balances—			
Creditors	4726	15	2
Bills Payable	938	19	11
Reserve for Bad Debts	100	-	-
Sales	73483	10	10
Loans at 5%, Borrowed June 30th	500	-	-
Reserve for Discounts	182	11	6

* **Note.**—The "Consignments £198 10" has been treated as a loss. The profit has been divided in proportion to the capital, although the Law requires profits to be divided equally in the absence of any agreement to the contrary.

Answer.—*Gross Profit* £9401 15 5; *Net* £1550 16 10; *Bal. of Cap. Green*—£9520 6 9; *Richards*—£8392 15 11; *Everitt*—£6137 14 2.

PART III. Chas. Jackson guarantees a loan of £200 for a friend, hearing that this friend was in financial difficulties and only able to pay about 10/- in the £ if made bankrupt, and being himself pressed by creditors he decided to file his petition. He had a works which cost recently £1000, but on this there was a mortgage of £800, cash at the bank £140 2 3, cash on hand £11 10 -, out of which he gave his solicitor £10 on account of costs. His stock-in-trade had cost £398 4 3, but on forced realisation it would not bring in more than £275; his machinery, etc., ought to sell for £200, and the fittings, etc., for £50; after considering his book debts carefully he thought that £118 10 was good, £296 11 bad, and £76 4 3 doubtful, perhaps worth £30; he had also a B/E. for £87 4.

He had unsecured creditors for £753 4 11, had accepted two accommodation bills of £100, and on reference to his bill book found that he had two months before endorsed over Wm. Fletcher's 3 months' bill for £167 5 - to a creditor. He owed £10 for house rent, £20 for Income Tax, £29 18 3 for rates, and £26 16 5 for wages. He had also household furniture worth £175, and a gold watch and chain worth £15. Make out Chas. Jackson's Statement of Affairs. **Answer.**—*Surplus* £162 6 8.

Lancashire and Cheshire Institutes (*Advanced, 1906*).

PART I. **1.** How would you deal with deferred shipping rebates in connection with Consignments? **2.** What governs the Rate of Depreciation? **3.** State the advantages or disadvantages of loose leaf ledgers. **4.** Describe a Municipal Corporation's Sinking Fund:—(*a*) As to method of contributions to same. (*b*) As to interest received on instalments invested. **5.** How would you deal with Contangos in a Stock Broker's books? **6.** In what way does a Partnership differ from a Limited Liability Company, and what books are necessary for the latter and not for the former?

PART II. Perry & Knowles, Ltd., are Brewers, with a Nominal Cap. of £500000. Prepare Trading, P. & L. A/cs. and B/S. on 31st Dec., 1905, the **Stocks** being:—Brewing Materials £7973 2 4; Sundries £614 12 3. Carry forward £150 as unexpired rates. Write 15% off Barrels, etc., 9% off Horses, Drays, etc., 7½% off Plant & Machinery, 5% off Furniture & Fittings.

Dr. Balances—	£	s.	d.
Licensed & other Property	526672	18	4
Goodwill A/c	22377	18	4
Formation Expenses	4305	12	6
Premiums on, & alterations to, Leases	16111	19	4
Wages	3040	8	2
Brewing Materials	30244	6	4
Trade Defence Fund Contribution, 2nd Jan, 1905 (half to be written off)	75	-	-
Contractors on a/c. of Cap. alterations to Property	1407	16	11
Commissions	284	16	-
Discounts	314	4	2
Ord. Share Div. (Interim, 23rd July)	3750	-	-
Investments	9611	18	4
Sundry Debtors	28714	12	1
Pref. Share Dividends	14227	15	4
Plant & Machinery	7104	2	9
Barrels, &c.	3106	8	10
Horses, Drays, &c.	2114	12	2
Compensation charges under the Licensing Act (half to be capitalised)	874	10	-
Cash in hand	84	3	11
Cash at Bank	3797	8	9

Dr. Balances continued—	£	s.	d
Int. on Debenture Stock	2137	10	-
Railway Claims written off	12	7	-
Income Tax	1083	4	8
Directors' Fees	500	-	-
Furniture and Fittings	207	6	4
General Trade Exs.	8214	6	4
Beer duty paid, less amount charged out	2823	2	8
Cr. Balances—			
Ord. Share Cap.	250000	-	-
6% Pref. Share Cap.	249610	-	-
Calls paid on forfeited Shares	28	-	-
Mortgages on Licensed Property	3850	-	-
Reserve Fund	10000	-	-
Reserve for Loss on Investments	800	-	-
Reserve for Doubtful Debts	200	-	-
4½% Debenture Stock (Int. payable 1st Jan. and 1st July)	100000	-	-
Sundry Creditors	6325	4	7
Received on a/c. of Debts written off	112	16	8
P. & L. A/c., 1st Jan.	16814	12	1
Sales, less Returns	49743	2	11
Rent A/c.	5614	18	-

Ans.—*Gross* £22223 0 4; *Net* £11679 17 8. *Total B/S.* £633379 19 0.

PART III. From the foregoing, make out Income Tax Return for the Surveyor of Taxes.

Lancashire and Cheshire Institutes (*Advanced, 1907*).

PART I. **1.** I buy goods on the 1st March, 1907, dated forward as June. I make up my accounts on the 30th April. How should I deal with this item in my purchases day book, ledger, and balance sheet? **2.** In rendering accounts to the surveyor of taxes for income tax purposes, certain adjustments are necessary. Name at least five of such items, and the reason why they are excluded in arriving at the figure of assessment. **3.** Explain the difference between:—(*a*) Sinking fund. (*b*) Reserve fund. (*c*) Reserve A/c. **4.** What do you understand by:—(*a*) Nominal a/c. (*b*) Real a/c. (*c*) Personal a/c.? Give two examples of each. **5.** Is it advantageous or not to convert a business into a limited liability company? Give reasons for your answer.

6. A friend desires you to advise him as to whether he should invest £1000 (which he has free) in:—(*a*) Ordinary shares of a Company which has paid 8% per ann. during the last three years;

or (*b*) In 6% Cumulative Preference Shares of the same Company; or (*c*) In 4% Debentures of the same Company. How would you advise him.

PART II. The nominal capital of the Lancashire and Cheshire Engineering Co., Ltd., is £10000 divided into 10000 Ord. Shares of £1 each, £20000 divided into 20000 7% Cum. Pref. Shares of £1 each, and the Company is authorised to issue £10000 divided into 200 5% first Mortgage Debentures of £50 each. Prepare Trading, P. & L. A/cs. and B/S from the following T/B. as on 31st March, 1907. **Stock** £3025 10s.; Loose Tools valued at £1870. Depreciate Plant and Machinery 10%; Office Furniture and Fittings 5%; and Patents 20%. Res. £200 for Discounts, and £150 for bad debts.

Dr Balances—		
Arrears on Ordy. Shares ...	£70	-
Plant & Machinery	15000	-
Patents	3960	10
Office Furniture & Fittings	127	-
Sundry Debtors	12125	10
Purchases	15965	16
Returns off Sales	267	10
Salaries	200	-
Goodwill	9788	5
Stock of Materials, 31st March, 1906	2760	-
Wages, productive.....	2576	10
Carriage (inwards)	320	5
Carriage (outwards)	167	10
Coal & Coke	250	-
Loose Tools, 31st Mar., 1906	1890	-
Rent, Rates, Taxes & Insce.	236	10
Sundry Expenses	157	10

Dr. Balances continued—		
Discounts allowed	£760	-
Bad Debts	127	10
Directors' Fees	200	-
Interim Pref. Div. paid 15th October, 1906	665	-
Bank Charges	57	10
Deb. Int., less Tax	285	-
Cash in hand	73	4
Cr. Balances—		
Ordinary Share Capital	10000	-
Preference Share Capital.....	20000	-
200 5% 1st Mortgage Deb., £50 each, £30 paid.....	6000	-
Sundry Creditors	5609	-
Returns off Purchases	287	-
P. & L. A/c. bal. 31 Mar., 1906	169	10
Discounts received.....	200	-
Lloyd's Bank Ltd.....	1067	10
Sales	24698	-

Ans.—*Gross* £6120 9; *Net* £1210 10; *Total B/S.* £43321 10.

PART III. Prepare a Statement of Affairs from the following particulars of Jonas Johnson, Manufacturer, Burnley, on the 18th March, 1907. Unsecured Creditors £22100, Fully secured Creditors £9870, Partly secured Creditors £4764, Securities held by Creditors, fully secured, valued at £12107, Securities held by Creditors, partly secured, valued at £2321, Creditors for rents, rates, taxes and wages (of which £600 only is preferential), £850, Plant and Machinery, book value £12600, estimated to produce only one-third of this sum. Office Furniture, estimated to realise £50, Cash in hand £5, Book debts, good, expected to realise £3000, Doubtful £500, expected to realise £200. Bad £300 expected to realise *Nil*. Life policy on the life of Jonas Johnson, in the Atlas Assurance Co., paid 20 annual premiums of £24 each. Estimated surrender value is $\frac{2}{5}$ths of the amount paid in premiums. How much in the pound does the estate show? **Answer.**—7/5$\frac{3}{4}$. *Deficiency*, £15509.

Lancashire and Cheshire Institutes (*Advanced, 1908*).

PART I. **1.** In what respect, if any, does an Income and Expenditure A/c. differ from an A/c. of Receipts and Payments. **2.** What do you understand by the term "Depreciation"? How does depreciation apply to plant and machinery, leaseholds, and goodwill? **3.** Explain the terms "Minimum or Dead Rent," and "Royalty," as used in Mining. How would you deal with dead rent in the books of a Colliery Co.? **4.** What do you understand by "Account Current"? Make out such an A/c. for Yeadon & Co. from the following:—

Jan. 1. Sold goods to Marshall & Co., £200, due 1st March.
Feb. 1. Received cash from Marshall & Co., £100.
Mar. 1. Bought goods from Marshall & Co., £500, due 1st May.
Apr. 1. Paid Marshall & Co., £300.
May 1. Bought goods from Marshall & Co., £200.
June 30. Sold goods to Marshall & Co., £300.
Interest 5%, the account to be made up to the 30th June, 1907.

5. In preparing a/cs. for the Surveyor of Taxes showing profits taxable under Schedule D, how would you deal with the undermentioned items:—(*a*) Bank interest; (*b*) Defalcation by cashier; (*c*) Depreciation of land and buildings; (*d*) Fire Insurance; (*e*) Partners' salaries; (*f*) Int. on cap.; (*g*) Rents from cottage property; (*h*) Premium on leasehold. **6.** In closing the books of a Company whose a/cs. are made up to the 30th June in each year, you find the following:—(1) Poor and District Rates for the half-year ending 30th Sep. next, £300, paid on 1st June. (2) A number of invoices for goods amounting to £250. The goods were delivered on the 28th June and were not included in the stocktaking at that date, and the invoices have not passed through the books on the ground that the goods are intended for use after 30th June. (3) Rent £1000 per year, payable quarterly. Last rent paid up to 30th April. (4) £600 expended in cost of issues of Debentures, repayable in 5 years from date of issue. (5) Expenditure of £1000 on advertising new article called "Plato" introduced to the public. How would you deal with the above-mentioned items in the books of the Company?

PART II. The Silver Ore Co., Ltd., was formed on the 1st April, 1907, with an Authorised Capital of £60000, divided into 30000 Ord. Shares of £1 each and 30000 5% Cumulative Pref. Shares of £1 each. The whole of the Ord. Shares were issued and fully paid, but of the Pref. Shares 22000 only were issued, and of these 21900 were fully paid, but on the remaining 100 shares 15/- only had been paid. From the following T.B. prepare B/S., Trading A/c. and P. & L. A/c. on 1st April, 1908. Depreciate plant and light railway at 15% per ann. Waggons are valued at £400, and loose tools at £300. Promotion expenses to be charged over a period of 3 years. Value of silver on hand £1500. On the 31st Dec., 1907, the Directors decided to forfeit the 100 shares on which only 15/- had been paid up.

Dr. Balances—	
Balance at Bank...	£10550
Crushing Plant & Machinery	4000
Cost to date of sinking mine..	2000
Land	20000
Expenses of promotion of Coy.	600
Royalties paid.....	1000
Light Railway, cost	1200
Wages of miners, etc.....	6900
Waggons	500
Advertising	500
Carriage paid on crushing Plant & Machinery	180
Erection of sheds, etc.	1500
Legal Expenses	100
Oil	200
Repairs to Plant.....	90
Coal bought.....	300
Coal used from own mines ...	150
Office Furniture	150
Salaries	2000
Interim Pref. Div., paid 2nd Oct. 1907, 5% per ann, less tax.....	521/18/2

Dr. Balances continued—	
Cash in hand	£53/1/10
Directors' fees.....	700
Investment in Rosario Tin Mines, 2000 Ordy. Shares, £5 each, £4 paid	8000
Brokers' Charges on same	100
Deposit A/c. at bank, 3% per ann.	8900
Loose Tools	440
Cr. Balances—	
Ordy. Share Capital	30000
Pref. Share Capital	21975
Silver sold (cash).....	17000
Other minerals sold (including coal used by the Co.).....	950
Bank Interest	270
Div. recd. on Investment in Rosario Tin Mines.....	320
Int recd. to 31st Dec., 1907.....	120

Ans.—*Gross Profit* £11100; *Net Profit on Working* £6533; *Total Net Profit* £7039 15 -; *Total B/S.* £58492 16 10.

PART III. Fred Jackson, on the 31st March, 1908, unable to meet his engagements, requires a Statement of Affairs for submission to his creditors. Prepare from the following :—

Leasehold premises held for 99 years, subject to a payment of ground rent, £100 per year ...	Book value	£10000.	Estimated to realise	£9000
Book debts, Good.....	,,	6650	,, ,,	6000
Do, Doubtful.....	,,	500	,, ,,	250
Do. Bad	,,	750	,, ,,	—
Fixed plant & machinery...	,,	4000	,, ,,	3000
Stock-in-trade.....	,,	2000	,, ,,	1400

Cash in hand, £10. Life insurance policy for £2500 at death, subject to a premium of £50 a year due and paid 28th Feb., 1908, and held by the Insurance Co. for a loan of £200; Surrender value, £500. Household furniture and effects, £360. Private and household debts, £290. 600 Shares in Cooper & Co., Ltd., of £1 each, 10/- paid up, now quoted at 12/6 per share. Loan of £5000, secured by a first mortgage on the leasehold at 4½%, the int. of same being paid to the 31st March, 1908. Unsecured Creditors, £15000. Bankers for overdraft and interest, £5000, holding as security a second mortgage on leasehold of £4000. Loan from E. Taylor, £400, at 5% per ann., int. being paid to 31st March, 1908, who holds as security second charge on life insurance policy. Ground Rent of leasehold accrued since 31st Dec., 1907. Prepare Deficiency A/c. :—On the 1st April, 1905, he had a capital of £12000 in addition to household furniture. His private drawings, as shown in the cash book, were as follows :—For the years ended 31st March, 1906, £4905; 1907, £4000; 1908, £5000. He made a profit in his business in 1906 of £5000, and in the subsequent years losses of £3000 and £935 respectively. **Answer.**—*Deficiency* £5020.

Lancashire and Cheshire Institutes (*Senior. 1909*).

PART I. **1.** What is the meaning of (*a*) forfeited shares, (*b*) premium on shares. How are they dealt with in a company's a/cs.? **2.** Having before you the P. & L. A/c. of a manufacturing business, what points would require attention in adjusting it for the purpose of submission for income tax assessment? **3.** What is a sinking fund? Give an example, with imaginary figures. **4.** Define an "account current," and make out such an a/c. for Alfred Brown in respect of the following transactions with Charles Dawson:—1908, 17th Jan., Goods sold to Dawson, £200, due 1st Feb.; 1st Feb., Received Cash from Dawson, £50; 18th Mar., Goods bought of Dawson, £300, due 1st April; 1st April, Paid to Dawson, cash £200; 1st May, Goods bought of Dawson, £150; 10th May, Goods sold to Dawson, £120, due 1st June. The a/c. to be made up to 1st June, 1908, interest to be at 6% per ann. which may be calculated by months instead of days. **5.** Explain, as applied to the B/S. of a Joint Stock Co., the following:—(*a*) Capital authorised; (*b*) Calls in arrear; (*c*) Mortgage debentures; (*d*) Preliminary exs. On which side of the B/S. would they appear? **6.** How should the figures be shown in a Company's B/S. in both the following cases:—(*a*) A Company issues £40000 4% Mortgage Debentures at 95%; (*b*) A Company issues £40000 4% Mortgage Debentures at par, and undertakes to redeem them at the end of 10 years at £105.

PART II. **1.** The Secretary of the Cheshire Manufacturing Co., Ltd., takes out his balances on the 31st Dec., 1908, and submits to you the following particulars, from which prepare Trading and P. & L. A/cs. and B/S.:—Nominal cap. £150000, divided into 5000 pref. shares of £10 each, and 10000 ord. shares of £10 each. Reserve for debenture int. £375. Reserve for wages £50. Provide for bad debts £400, insurance prepaid £21. Depreciate land & buildings 1%, and plant & machinery £10%. Reserve for discounts, 5% on sundry debtors and 2½% on sundry creditors. **Stock** 31st Dec., 1908, £18763. Value of loose tools at 31st Dec., £2000.

Dr. Balances—	
Cost of issue of Debentures. ...	£750
Purchases	43249
Land & Buildings.....	26100
Fuel	570
Plant & Machinery	5620
Repairs	445
Loose Tools, 1st Jan., 1908.....	1752
Office Expenses.....	363
Wages	9371
Discounts allowed.....	517
Salaries	975
Bad Debts	275
Postages, etc.....	86
Rates, Taxes & Insurance	524
Travelling Expenses.....	302
Interest & bank charges	75
Directors' Fees	550
Stock, 1st Jan., 1908	11420
Sundry Debtors.....	24300
Carriage inwards	£220
Goodwill.....	10000
Carriage outwards	410
Debenture interest paid	375
P. & L. A/c., loss from last A/c.	2243
Unpaid Calls, Ordy. Shares.....	250
Cash in hand.....	114
Cr. Balances—	
5000 Pref. Shares, £10 each, £2 paid	10000
10000 Ordy. Shares, £10 each, £5 called up.....	50000
150 5% Mort. Debs. of £100 each issued at 95.....	15000
Sales	53847
Discounts received	324
Sundry Creditors	9160
Bank Overdraft.....	1525

Answer.—*Gross Profit* £8548; *Net* £852; *Total B/S.* £85631.

PART III. Arthur Arnott, Ben Barber and Charles Corson carried on business in co-partnership as Corn Millers, at Salford. On the 1st Oct., 1907, their cap. was £8000, £5000 and £2000 respectively. By the deed of partnership each partner was to have 5% int. on cap. and a salary of £250 per annum. The only amount drawn out of the business by each partner during the year was the amount of his salary. Before taking into account any interest on partners' cap. or partners' salary, the profit of the business for the year ended 30th Sept., 1908, was £2070. Profits were divided in the proportion of 3, 2, 1, respectively. Prepare P. & L. A/c., and open Partners' Cap. A/cs. showing each partner's position on 30th Sept., 1908.

Answer.—*Cap. of A.A.* £8685; *B.B.* £5440: *C.C.* £2195.

LANCASHIRE AND CHESHIRE INSTITUTES. (*Senior, 1910.*)

PART I. **1.** What are the advantages of double entry book-keeping over single entry, and how would you proceed to convert a single entry system into double entry? **2.** The Coaley Colliery Co., Ltd., pay a royalty to a ground landlord of 9d. per ton of coal raised, with a minimum of £1200 per ann., with power to recoup short workings. In 1907 they raised 20000 tons; in 1908, 30000 tons; in 1909, 44000 tons. How would you deal with these items year by year in the P. & L. A/cs. and B/S. of the Company? **3.** What do you understand by a Balance Sheet? State the method and sources of its preparation. How does it differ from a Statement of Affairs? **4.** In the accounts of a private individual, who owns his own premises, how would you deal with the following for income tax purposes:—(*a*) His salary, charged against profits; (*b*) Interest on Capital; (*c*) Life Insurance Premium for self and wife; (*d*) Annual value of premises. **5.** What do you understand by:—(*a*) Secret reserves; (*b*) Cost Accounts; (*c*) Accommodation Bills. **6.** What do you understand by a Deficiency A/c.? Set out such an A/c. with imaginary figures.

PART II. **7.** The Nominal Capital of the Ideal Newspaper Co., Ltd., is £100000; 40000 £1 Preference Shares, and 60000 £1 Ordinary Shares. Prepare Revenue A/c. and B/S. from the following T.B. Reserve for Wages, £48; Discounts, £350; Bad Debts, £200. Depreciate Freehold Property at the rate of 1% per ann., Plant & Machinery, 7½% per ann.; Linotype Installation, 10% per ann.; Motor Vans, 15% per ann. The amount received for Advertisements includes £180 which will not run off until 1910. The Sales include Papers Prepaid for 1910 amounting to £350. **Stock,** 31st Dec., 1909, £1646 15 -.

Dr. Balances—	
Calls in arrear	£75
Freehold Property, 1/1/09	28000
Plant & Machinery, 1/1/09	9500
Returns & unsolds	2650
Dividends accrued on Investmts	300
Cash in hand	130
Liverpool Banking Co., Ltd.	5295
Debtors	5800
Linotype Installation, 1/1/09	1300
Linotype Installation, additions made on 30/6/09	135
Additions to Plant & Machinery made on 30/6/09	980
Stock, 1/1/09	1750
Investments at cost	6340
Motor Cars, Vans, &c., 1/1/09	845
Motor Cars, Vans, &c., additions made on 30/6/09	90
Purchases of Paper	8250
Purchases of Ink	475
Salaries	9230

Dr. Balances continued—	
Wages	£1000
Trade Charges	7860
Correspondence	4365
Discounts allowed	855
Commission	380
Printing and Stationery	110
Free Copies	695
Bad Debts	75
Repairs	155
Cr. Balances—	
40000 Cum. Pref. Shares of £1 each, 7/6 paid	15000
60000 Ordy. Shares of £1 each, 5/- called up	15000
Calls in advance	150
Sundry Creditors	7300
Reserve, 1/1/09	10000
Sales (cash and credit)	22650
Advertisements	19090
P. & L. A/c., 1/1/09	7320
Bank Interest, Dividends, &c	130

Answer.—*Bal. for Distribution* £10559 5; *Total B/S.* £58512 5.

PART III. **8.** L. Brier (with cash £8000) and C. Oke (without capital) entered into partnership on 1st Jan., 1905, the agreement stipulating that Brier was to receive 5% interest on his capital before dividing any profit, which was divisible three-fifths and two-fifths respectively. On 31st Dec., 1909, they agreed upon a dissolution, when the B/S. was as follows:—

Liabilities.		
L. Brier, Capital A/c.		£8000
J. Harrison, Loan A/c.		4000
Sundry Creditors		4200
Balance of P. & L. A/c.	£10000	
Profit for year 1909	2500	12500
		£28700

Assets.		
Book Debts		£14000
Stock-in-Trade		5700
Machinery, &c.		2400
Drawings A/c.:—		
L. Brier	5350	
C. Oke	1250	
		£28700

L. Brier has not been credited with any interest since the commencement of the partnership. No interest on drawings or undistributed profits is to be taken into account. The book debts realised £13600; stock-in-trade £4900, machinery £2800. An amount of £500 was also received for goodwill, which had not appeared in the books. Write up the necessary a/cs. to give effect to the above, assuming that all liabilities are discharged and that the costs of realisation, amounting to £300, are also paid by cash. Show the closing of the partners' capital a/cs. The interest on L. Brier's capital is to be reckoned for each year on the original figure of £8000, and no interest on interest need be taken into account.

MIDLAND COUNTIES UNION (*Advanced, 1906*).

PART I. From the following T.B. prepare Trading, P. & L. A/cs. and B/S. of Messrs. H. Oakley and W. Denham, Harness Manufacturers, as on 31st Dec., 1905, sharing profits and losses

equally. Allow Interest on Partners' Capital at 5% per ann.; depreciate Machinery & Plant 7½%. Fixtures and Fittings 6%; provide for Bad and Doubtful Debts 5%, and for a half-year's int. on Mortgage at 5% per ann. to 31st Dec., 1905; carry 7½% of net profit (if any) to the Reserve Fund. **Stock** £14725 2 6.

Dr. Balances—	£	s.	d.
Freehold Premises.....	13100	-	-
Fixtures & Fittings A/c.	3600	-	-
Wages A/c.....	7930	1	4
Machinery & Plant A/c.	6000	-	-
Cash A/c	472	14	7
Purchases A/c,.....	31038	10	7
Salaries A/c.....	550	-	-
Stock A/c. (1st Jan.,1905)	10910	5	5
Rates & Taxes A/c.....	251	9	11
Office Expenses A/c.....	104	5	3
Carriage A/c.....	1066	2	9
Insurance A/c.....	191	11	4
Sundry Debtors.....	8510	-	-
Interest on Mortgage A/c.	112	10	-

Dr. Balances continued—	£	s.	d.
General Trade Exs. A/c...	1040	17	2
Repairs A/c.....	337	13	1
H.O.'s Drawings(incl.int.)	1767	10	-
W.D.'s ,, ,,	1482	10	-
Cr. Balances—			
H.O. Cap. A/c.(1 Jan.1905)	10000	-	-
W.D. ,, ,,	9000	-	-
Bills Payable A/c.....	2402	8	2
Mortgage on Premises A/c.	4500	-	-
Sundry Creditors	13802	18	4
Res. Fund(for contingencies)	1050	-	-
Sales A/c.....	45230	2	10
Banker's A/c.....	2437	-	-
Interest & Discount A/c...	43	12	1

Answer.—*Gross Profit* £9010 5 3; *Net* £4311 10 7.

PART II. *Five questions only are to be attempted.* **1.** What is the object of Cost A/cs.? State the two essentially different classes of such a/cs. **2.** What do you understand by the following:—B/E, B/P, P/N, N/P, B/R, Days of Grace? **3.** State the advantages that are derived by the Drawer and the Acceptor of a Bill. **4.** In what Book or Books would you enter the following transaction:—William Miller returned to you 5000 bricks which you had sold to him @ 18/- per M. **5.** What abatements are allowed in assessing for the purpose of Income Tax, the income of (1) a private person (2) a Joint Stock Company? **6.** What is a Bill of Lading? State as far as you can the details that appear thereon. **7.** What is the object of the London Bankers Clearing House?

MIDLAND COUNTIES UNION (*Advanced, 1907*).

PART I. Prepare Trading, P. & L. A/cs. and B/S. H. Shepherd and G. Elkington entered into co-partnership as Builders and Contractors on 1st Jan., 1906. Elkington's capital was £1000, Shepherd's was £4000. Profits or losses were to be shared equally, 5% was to be credited to each Partner in respect of his cap. and 5% was to be charged on their respective drawings. Elkington was to be credited with £25 each quarter as salary for management. The following is the T.B. on 31st Dec., 1906. No interest had been charged either upon the capital or upon drawings, nor had Elkington been credited with his salary. The **Stock** was £3750. The drawings of the partners had been as follows:—Shepherd, Feb. 1st, £50; April 1st, £100; June 1st, £50; Aug. 1st, £50; Oct. 1st, £100; Dec. 1st, £50. Elkington, Feb 1st, £25; March 1st, £37 10; May 1st, £62 10; June 1st, £50; August 1st, £25; Sept. 1st, £37 10; Nov. 1st, £62 10; Dec. 1st, £50.

Dr. Balances—	£	s.	d.
Purchases	3857	6	6
Cash	365	2	11
Rents	525	7	6
Taxes & Insurance	224	12	6
General Charges	108	2	2
Buildings	2500	-	-
Interest & Discount	250	3	7
Salaries	457	10	-
Wages	1304	2	6
Carriage & Freight	255	4	7
Repairs & Depreciation	212	5	7
Dr. Balances continued—	£	s.	d
Plant and Tools	1437	14	5
Shepherd's Drawings	400	-	-
Elkington's Drawings	350	-	-
Debtors	4657	8	6
Cr. Balances—			
Sales	9756	10	7
Bills Payable	421	3	4
Creditors	1062	7	1
Bank	664	19	9
Shepherd's Capital	4000	-	-
Elkington's Capital	1000	-	-

Answer.—*Gross Profit* £8089 17; *Net* £5979 18 2.

PART II *Five questions only are to be attempted. Answers are to be given briefly.* **1.** Give the primary divisions into which Ledger A/cs. are divided, when it is impossible to keep all the a/cs. in one Ledger. **2.** State the meaning of the following as applied to a Company: "Limited," "Unlimited," "Private," "Public." **3.** Define shortly:—"Sinking Fund," "Reserve Fund." **4.** Make out a Bill for £200 drawn on 6th Dec., 1906, by Hirons & Co., of Leicester upon A. Jones, of Nottingham, and accepted by him. **5.** What are the essential points in drafting a B/E.? **6.** What do you understand by the following:—"Underwriter," "Trustee," "Surety," "Proxy." **7.** Give the meaning of "Copyright." State the minimum and maximum duration of a Copyright, and also how it is registered.

MIDLAND COUNTIES UNION (*Advanced, 1909*).

PART I. G. Sykes and R. Simpson trade, on equal basis, as the Simplex Manufacturing Co. Prepare Trading, P. & L. A/cs. and B/S. on 31st Dec., 1908. Interest at 5% on partners' Capital A/cs., ignoring Drawings. Transfer £75 from Purchases A/c. and £115 from Wages A/c. to Additions to Plant; Depreciate Plant A/c. 5% off balance and 25% off additions; Furniture & Fittings A/c. 5%; add to Leasehold Premises Redemption A/c. 2½% Interest on balance and Annual Instalment of £37 10; Reserve 5% for Bad and Doubtful Debts. Before dividing profits, J. Smith, the Works Manager, is to receive a Bonus on the net profits of 2% up to £2500, and 1½% on any profits over that amount. **Stock**, 31st Dec., 1908, £6378 12 6.

Dr. Balances—	£	s.	d.
G. Sykes, Drawing A/c	1000	-	-
R. Simpson, Drawings A/c.	750	-	-
Leasehold Premises	3270	10	6
Plant, Machy. & Tools, 1st Jan.	6012	11	8
Do. additions during year	252	17	4
Furniture, Fittings & Fixtures	373	14	6
Cash A/c.	35	17	2
Lloyd's Bank, Ltd., Current A/c.	1014	16	7
Bills Receivable A/c.	1173	16	2
Purchases	22753	14	8
Wages A/c., Producers	7642	12	9
Wages A/c., Non-producers	1013	10	6
Discounts allowed	1975	14	6
Carriage & Freight	457	16	9
Sundry Trade Expenses	282	12	8
Ground Rent, Rates & Taxes	472	16	9
Dr. Balances continued—	£	s.	d.
Coal, Gas & Water, Works A/c	522	19	7
Do., Office A/c.	89	17	1
Bank Charges	54	13	9
Debtors	9872	12	6
Repairs to Plant	63	18	10
Stock A/c., 1st Jan., 1908	5274	16	10
Cr. Balances—			
G. Sykes, Cap., 1st Jan. 1908	8500	-	-
R. Simpson, Cap., 1st Jan. 1908	6444	1	-
Leasehold Premises Redemption A/c.	675	-	-
Bills Payable A/c	4573	19	10
Sales	38350	2	6
Discounts received	1162	8	10
Creditors	5003	16	2
Bad Debt A/c	152	12	9

Answer.—*Gross Profit* £8266 14 5; *Net* £3878 7 2; *Total B/S.* £28126 15 8.

PART II. **1.** What are the rights and privileges of the holders of Mortgage Debentures, Cumulative Preference Shares, Deferred Shares. **2.** T. Brown purchased a second-hand Lathe for £25 which he used for some time; but subsequently purchased a more modern Lathe from Sagar & Co., for £65, they agreeing to take the old Lathe in part payment; allowing for same £35. Show these entries in T. Brown's A/cs. **3.** How should a manufacturer arrange his Trading A/c. having regard to the checking of his Costs A/cs. **4.** Thompson & Co., of Canada, instruct P. Brown, of London, to draw upon them at sight in payment of a/c. £57 10. Give the form of the bill and describe how P. Brown would proceed to collect the same. **5.** Explain the meaning of Receiver, Liquidator, Trustee, Deed of Assignment. **6.** A firm keep five Sales Ledgers. What rulings would be necessary in the Cash Book, Sales Day Books and Returns Book to enable them to have each Ledger separately balanced, and what items would need journalising to enable this to be systematically carried out? **7.** The Reserve Fund of a Limited Company is invested in Consols, the market price of which varies from time to time; how would these fluctuations be dealt with in preparing their B/S. ?

MIDLAND COUNTIES UNION (*Advanced 1910*).

PART I. Prepare Trading, P. & L. A/cs. and B/S. of the Highburn Manufacturing Co., Ltd., from the following T/B. on 30th June, 1909. Nominal Capital, 40000 Ordy. Shares of £1 each. Depreciate Machinery & Plant 10%, Fixtures and Fittings 10%. Make up Reserve for Bad Debts to 7½% of the Book Debts. Insurances are paid in advance to the extent of £96. **Stock**, 30th June, 1909, £6900.

Dr. Balances—		**Dr. Balances** continued—	
Calls in Arrear	£205	Fixtures & Fittings	£3750
Stock, 1/7/08	6537	Sundry Debtors	12160
Purchases	22448	Interest paid on Debentures	214
Returns from Customers	1174	Dividend paid (Aug., 1908)	1415
General Trade Expenses	1014	Cash in hand	43
Wages	13632	Balance at Bank	1427
Salaries	2042	**Cr. Balances**—	
Travelling Expenses	758	40000 Ordy. Shares, 15/- called	30000
Advertising	870	100 Debentures, 4½% @ £50	5000
Rents, Rates, Taxes & Insce.	858	Returns to Creditors	1745
Discounts	314	Sales	46728
Bank Interest & Commission	114	Sundry Creditors	7728
Bad Debts written off	249	Reserve Fund	5000
Premises	12450	Reserve for Bad Debts, 1/7/08	760
Machinery & Plant	18750	Balance of P. & L. A/c., 1/7/08	3463

Answer.—*Gross* £11582; *Net* £2843; *Total B/S.* £52414.

PART II. **1.** Explain: Agio, Allonge, General Average, York-Antwerp Rules. **2.** Why are Foreign B/E. made out in sets? Are they always made out so? Write out a Second of Exchange, drawn by Chas. Carr, of London, on Kishen Lall, of Baroda, 60 D/S. for £175, and convert into Rupees at 1/4. **3.** Name some preferential debts allowed to be paid before distribution of the

estate of a bankrupt. **4.** What are Exchequer Bills? **5.** In the case of the death of a Shareholder what would you require before paying any dividends on account of the holding? **6.** Draw up a Return for Income Tax Assessment from your result of Part I., assuming that the assessments in the two previous years were: 1907, £2100 and 1908, £1760 respectively. The following are included in the charges: £35, chief rent in rents, rates, &c.; gifts to the value of £50 in the general expenses; and the Assessor will only allow depreciation on the machinery at the rate of 7½%; Income Tax paid and included with rents, rates, &c. a/c., £88. Show what the assessment will be for 1909.

INSTITUTE OF BANKERS. (*Preliminary, 1903*).

1. What books are off-shoots of the Journal? Give a list thereof? **2.** Journalise the following opening Journal entries of the firm of Bell, Danvers, & Co.:—Land and Buildings, £5000; Machinery and Plant, £8800; Patterns, £3300; Stock-in-Trade, £9000; Office Furniture and Fittings, £400; Loose Tools, £2500; Patents, £1000; Sundry Drs., £10500; Cash in hand, £100: Investments, £2300; Sundry Crs., £7000; London & Northern Bank (Overdraft) £900. Capital:—Andrew Bell, £20000; Charles Danvers, £15000. **3.** Give a form of "Bills Payable Book," as also of "Bills Receivable Book," entering into each full particulars of two Bills. **4.** Are B/R. discounted and not yet matured contingent liabilities? If so, how should they be shown on the B/S. **5.** Explain the use and working of the Investment Ledger, giving a form of the same. **6.** Sketch out a form of Petty Cash Book, kept on the imprest system, and explain what you mean by the "Imprest System." **7.** At the close of their financial year, Messrs. Bell, Danvers & Co., find they have to make the following provisions, for which make the necessary Journal entries:—(*a*) Write off £440 for depreciation on machinery and plant. (*b*) Reserve £250 against bad and doubtful debts. (*c*) Reserve £150 for sundry amounts owing, the accounts of which have not yet been received. (*d*) For one year's interest at the rate of 5% per ann. on Partners' Capital which stands in the books as follows:—Bell, £20000; Danvers, £15000. **8.** Give a form of a Merchant's Account Sales of 100 Packages of Tea, ex. s.s. "Foochow," from Shanghai to London, showing the gross figures realised, and deducting therefrom in detail the various charges, bringing down the net proceeds as the final result. **9.** How should Reserves for Doubtful Debts be shown in the B/S. **10.** Do you consider it advisable that the Cashier and the Book-keeper shall be one and the same person, or should they in your opinion be two distinct individuals? Give your reasons for whatever decision you arrive at herein.

INSTITUTE OF BANKERS (*Preliminary, 1907.*)

1. Give the rulings of a Cash Book where all the moneys received are banked and all the payments made are by cheque. In the ruling, set out "Discounts & Allowances Columns," "debit" and

"credit" and show on the double entry system how these are dealt with. Make three entries on each side, elucidating the foregoing.

2. Post the following entries into the Ledger, creating Ledger A/cs. "Dr. and Cr." for each entry and prepare a Trial Balance.

Goods Bought.	1.	From John Jones, Steel Rails, £1000.
	2.	From William Smith. Bolts and Nuts, £1500.
	3.	From John Richardson, Steel Rails, £1400.
Goods Sold.	4.	To Great Northern Railway, Steel Rails, £2000.
	5.	Ditto. Bolts and Nuts, £500.
	6.	To Midland Railway, Bolts and Nuts, £600.

3. Explain the difference between a "Trial Ledger Balance," and a "Balance Sheet," and state on which side the "debit" and "credit" a/cs. as taken from the Ledger are respectively shown in each of the above. **4.** Give four detailed *Journal Entries* explaining the fundamental axiom in Book-keeping that "Every debit requires a credit" and vice versa. **5.** Give, in a short sentence of, say, eight words or so, your definition of "Capital" as more particularly applying to an Individual or a Private Firm, rather than to a Joint Stock Company. **6.** Name the three principal Books of A/c. into two of which Books initial entries are made and thence posted into the third Book, giving the names of the first two Books and the third Book respectively.

7. State into which of the following Books of A/cs. : Cash Book, Petty Cash Book, Journal, Sales Day Book, Bought Day Book, Returns Book Inwards, Returns Book Outwards, entries (*a*) to (*k*) (as under) are to be made, preparatory to being posted into the Ledger :—(*a*) Purchased of John Smith goods value £1000. (*b*) Sold to Arthur Brown goods value £75. (*c*) Returned to John Smith goods not up to sample, value £200. (*d*) Arthur Brown returns goods not up to sample, value £25. (*e*) Pay John Smith, cheque in settlement of a/c., £780, he allowing £20 for 2½% Discount. (*f*) Receive in settlement of a/c., from Arthur Brown, £48 15s., he deducting £1 5s., for 2½% Discount. (*g*) Adjust a complicated a/c. with Adam Bede by various cross entries. (*h*) Purchase at the stores various office requirements, value 19s. 5d. (*j*) Receive Dividend on Bank Stock for £67 10s. 9d. (*k*) Enter Banker's charge for New Cheque Book, 16s. 8d.

8. Messrs. L. S. D., Bankers, head their Pass Book, "Arthur Brown, Esq., in a/c. with L. S. D." while Messrs. Bullion & Co., Bankers, head theirs, "Bullion & Co., in a/c. with Arthur Brown, Esq." Draw up two Bank Pass Books making the following Cash Entries in each of these respective Bank Pass Books :—1907 :

Jan. 1.	Cash Balance in favour of Arthur Brown..	£217	10	6
,, 4.	Paid Arthur Brown's Cheque, No. 175	52	10	-
	Paid his Subscription to the Omnium Club	10	10	-
,, 5.	Received his Dividend on Consols.....	95	-	-

9. Explain the difference between *Single Entry and Double Entry* and the advantages of the latter over the former system of Book-keeping. **10.** Define the terms "Depreciation" and "Reserve," and state how they would respectively be shown on the B/S.

INSTITUTE OF BANKERS (*Final, 1903*).

1. Explain the advantage of balancing each ledger separately, and in this connection give an illustration of the "Total Account Sales Ledger." **2.** Journalise the following closing entries :—(*a*) Write off for depreciation from—Land and Buildings 3% on £5000; Machinery & Plant 5% on £8800; Patterns 10% on £3300; Patents 10% on £1000; Office Furniture 5% on £400. (*b*) Make a provision of 3% for Discounts and of 5% for Bad Debts on Sundry Drs., £10500. (*c*) Give the respective partners one year's int. at 5% on their respective Capitals, say :—Andrew Bell, £20000; C. Danvers, £15000. **3.** Give some general rules as to the amount of Depreciation to be written off Leasehold Buildings, Plant & Machinery, Boilers, Loose Tools, Furniture, also Freehold Land and Buildings thereon. **4.** Give a form of certificate that Branch Bank Managers should issue certifying the correctness of the Branch Returns. **5.** Give the Form of B/S. prescribed by the Companies' Act, 1862, to be used by such companies as Table A applies.

7. On 1st January, 1902, Andrew Smith takes a long lease of some business premises, upon which he lays out £4275 in putting up new Plant and Machinery. He purchases stock to the extent of £3515, and opens a Banking A/c. with Bullion & Co. by paying in £2210, the foregoing three outlays constituting his capital in the business. He then admits Benjamin Brown into partnership, and the latter brings in £5000 cash as his capital, the firm being Smith, Brown & Co. The partners at the end of the year are to be credited with 5% int. on their cap., but are not to be charged with int. on their drawings. Brown is to have a manager's salary of £400 a year and to take one-third of the net profits, while Smith, who draws no salary, takes the remaining two-thirds of the net profits. At 31st December, 1902, the gross profits amount to £5692 17s. 3d., subject to the following closing entries for the year :—(*a*) Int. on Partners' Cap. (*b*) Brown's Salary as Manager. (*c*) 5% Depreciation off Plant and Machinery. (*d*) Provision for Bad and Doubtful Debts, £320 16s. 2d. (*e*) Reserve for the last Quarter's Rent and other charges unpaid at 31st Dec., 1902, £375 9s. 6d., while on the other hand there must be taken into account the following item, viz. :—(*f*) The proportion of certain fixed charges paid in advance, amounting to £242 10s. 6d., and belonging to 1903. Smith has drawn out during the year, on account of profits, the sum of £600, while Brown has drawn out during the same period on a/c. of profits, and his salary as Manager, the sum of £700. Give effect to the above closing and transfer entries, and then show the following final results :—(*a*) Net profit and how divisible. (*b*) Financial position of Smith and Brown respectively. **Answer.**—*Net Profit* £3875 7s. 1d.: *Cap.*—*A.S.* £12483 11s. 4d.; *B.B.* £6241 15s. 9d.

6. Criticise the items in the following B/S. of Simple Simon & Co.

Dr. BALANCE SHEET, 31st December, 1903. Contra. Cr.

To Bullion & Co., Loan A/c. ..	£1000	By Cash—At Bankers	
,, Creditors—		Bullion & Co. ..... £ 450	
On Bills Payable.. £6690		Office Cash 2690	
On Open A/c..... 6990			£3140
On Loans A/c. 7097		,, Drawing Account	1676
	20777	,, Goodwill	1500
,, Reserve A/c.—		,, Stock—	
Balance as per Books	269	Estimated at say	2000
,, Capital A/c	2000	,, Debtors—	
		On Bills Receivable.. 3670	
		On Open A/c. 4720	
			8390
		About £6000 of the above are considered to be good.	
		,, Investments	5690
		Subject to realization, the bulk of these are not quoted on the Stock Ex	
		,, P. & L. A/c.—	
		Net Bal. at date.....	1650
	£24046		£24046

8. In the Trial Balance at 31st Dec , 1902, the following a/cs. appear :—(*a*) Discounts allowed. (*b*) Unexpired proportion of Fire Premiums. (*c*) Transfer Fees. (*d*) Freights paid on Cargoes still unsold. (*e*) Renewals and Repairs. (*f*) Stock at end of financial year. State which of the above are P/L. items, and which of them are B/S. items, explaining your reasons for the same.

9. Draw up an a/c. current composed of three Cash Entries on each side, with Debit and Credit Interest Columns, that Brown, Jones & Co., of London, would render on 31st December, 1902, to their correspondents, Bomanjee, Wadia & Co., of Bombay, in respect of consignments of cotton shipped from abroad and sold on this side, as also of goods sent out from here. **10.** Name the two categories of Ledger A/cs., giving at the same time the sub-division of the second category, thus :—(1) Number one category. (2) Number two category, sub-divided into (*a*) " " and (*b*) " " ," and explain the meaning of both categories, as also of the sub-division of the second one.

INSTITUTE OF BANKERS (*Final, 1904*).

1. Sketch the ruling of a Journal, and make the following typical closing entries at 31st Dec., 1903, taking care in each case to specify the respective Ledger A/cs. (both debit and credit) to which all these entries are posted. (*a*) Charge the following customers with postages in their current A/cs. :—Edwd. Brown £3 2 9, Thos. Smith £4 1 6. (*b*) Write off the following balances as irrecoverable :—Richd. Jones, £0 4 9, Wm. Thompson, £1 0 6, Abel Strong, £50 11 6. (*c*) Credit Partner's drawing a/cs. for int. on their respective cap. for one year at the rate of 5%, Robt. Everard, £10000, Wm. Ellis £5000. (*d*) Transfer the following items of

expenditure for the year:—Salaries £2055 2 6, Rent and Rates, £360 2 6, Postages and Petties, £59 7 9, Telephone, £17 5 0, Subscriptions to Lloyds, the Baltic and other Exchanges, £78 15 0, Travelling, £28 14 1, Stationery and Printing, £35 9 4, Housekeeper £62 12 6. (*e*) Depreciation on Plant and Machinery, £306 5 9, Goodwill, £500, Patents, £1000. (*f*) Renewals & Repairs, £202 8 6.

2. In a list of Trial Ledger Balances, the debits (assets) are entered in the left-hand column, while the credits (liabilities) appear in the right-hand column, the same order as they do in the ledgers. Some B/S. however (not all), reverse this order, placing the credits (liabilities) on the left-hand side, and the debits (assets) on the right-hand side. When this course is pursued, explain the reason (in your opinion) for the figures being thus transposed. **3.** Allocate the following ledger a/cs. to "Trading A/c." "P. & L. A/c." and "B/S." respectively, showing on which side of the various a/cs. they each appear. (*a*) Stock at the commencement of the financial year. (*b*) Stock at the close of the financial year. (*c*) Debtors. (*d*) Creditors. (*e*) Wages. (*f*) Salaries. (*g*) Investments. (*h*) Rent and Rates. (*i*) Purchases. (*j*) Sales. (*k*) Partners' Current Balances. (*l*) Partners' Cap. A/cs. (*m*) Cash at Bankers. (*n*) Loan from Bankers. (*o*) Goodwill. (*p*) Postages and Petties. (*q*) Petty Cash in hand. (*r*) Renewals and Repairs. (*s*) Reserve A/c. (*t*) Dividends Outstanding. **4.** If on taking out a Trial Balance from books kept by double entry, the total debits and credits do not agree, state some of the means you would adopt to discover the discrepancy or discrepancies which might arise either from errors of commission or of omission in the books of the firm. **5.** Give the heads under which you would classify in a balance sheet (distributed among the customers) the assets and liabilities of a private bank.

6. Brown, Jones and Robinson operate in a tripartite account in pig-iron, and purchase 10000 tons at 48s. per ton, say, £24000, and for which they contribute as follows:—

Brown finds cash for		£7450
Jones gives his acceptance at 3 mos. for £8000		
The discount on which is	100	7900
And Robinson the balance in cash		8650

Interest is credited to each adventurer at the rate of 5% per annum from date the money is found until final settlement, the Net Profit or Loss (after payment of the above int.) being allocated among them *pro rata*, to the amount of cap. each of them originally brings in. The pig-iron is held for six months, and then only realises £21500, the venture resulting in a loss of £2500. Divide up this loss among the three, first crediting each adventurer with the int. due to him under the above arrangement, and carry out the above conditions. (*Total Loss* £3100).

7. Name the books in which you would record the receipt by a bank of securities lodged with it, by its customers for safe custody

on their behalf, showing *inter alia*, the registration of such securities while in the bank's custody and the withdrawal of the same from time to time, by the customers. State the purpose of each book, and give the ruling, also the general nature of the entries.

8. A, B and C dissolve partnership, and after realising their assets, they find that they have £24000 to deal with, the only liabilities they have are £11000 to trade creditors and £1000 advanced by A over and above his capital. The cap. of the firm is in credit, thus A £8000; B £6000; C £4000; and is subject to 5% int. for the year completed before any division, either of profit or of loss, which under their articles of partnership they share equally between them. Show on the basis how the £24000 of assets are allocated in the following order :—(*a*) to satisfy the trade creditors; (*b*) to repay A his advance of £1000; (*c*) to pay the partners one year's int. on their capital; (*d*) to apportion the bal. over among the respective partners.

9. The Glebe Knoll Furnishing Co., Ltd., is floated with a Share Cap. of £200000, in shares of £1 each. The vendors are to be paid £66000 in fully-paid shares. The balance of the shares is offered to the public, of which 109000 are subscribed for, upon which the Directors proceed to allotment. By the terms of the prospectus they took power to do this, provided the application by the general public amounted to a minimum of 100000 shares. The following are the terms upon which the shares are paid for :—

Payable upon application, per share 2/-
Payable upon allotment, per share 6/-
1st Call payable 3 months after allotment, per share 4/-
2nd Call payable 6 months after allotment, per share..... .....4/-

leaving a balance of 4/- per share still uncalled; meanwhile £10000 has been borrowed upon 5% Terminable Debentures. Make the necessary opening Journal entries, and set them out in the first B/S. issued by the Company.

10. The Universal Trading Bank, Ltd., has its head office in London, with branches in Glasgow, Edinburgh, Dublin, Liverpool and Manchester. How should it keep its accounts so as to be able to make up an annual B/S. of its head office, and of each of its branches, as also a general B/S., incorporating thereon the whole of the assets and the liabilities, together with a general P. & L. A/c. In this connection state how you would deal with the original net profits or losses of the head office and of the respective branches, also of the balances outstanding between various branches with the head office, as well as between themselves.

INSTITUTE OF BANKERS (*Final, 1905*).

1. Should the mere fact of a Firm balancing their Books satisfy them that each Balance is correct as it stands, without the need of adjustment? For instance, Messrs. Blank & Co.'s T.B. at 31st December, 1904, shows (among others) the four Ledger A/cs. given below. State which (if any) of the Balances are correct as

they stand, and which (if any) require adjusting—in the latter contingency make the necessary adjusting Journal Entry or Entries.

(*a*) **Dr.** ROBERT SMITH (in Liquidation) Contra. **Cr.**

Jan. 1	To Balance b/d.....		62 10 0	Nov. 1	By Cash: final Dividend.....		51 10 6
	Balance.....£10 19 6	£62 10 0				£51 10 6	

(*b*) **Dr.** THOMAS BROWN. Contra. **Cr.**

Dec 15	To Cash on A/c.....		50 0 0	Nov. 30	By Goods.....		72 10 0
		£50 0 0			Balance..... £22 10 0	£72 10 0	

(*c*) **Dr.** EDWARD BINNS. Contra. **Cr.**

Dec. 4	To Goods, Cash in one month net ...		45 10 6	Dec. 29	By Returns: Weight not up to samples.....		32 4 6
	Balance £13 6 0	£45 10 6				£32 4 6	

(*d*) **Dr.** THE SHORE TO SHORE RAILWAY. Contra. **Cr.**

Dec. 31	To Cash in discharge		55 17 6	Nov. 30	By Freight Charges		63 7 6
	,, Bal. overcharge.		7 10 0				
		£63 7 6				£63 7 6	
				Dec. 31	By Bal. overcharge		7 10 0

2. John Black and Edward Thompson agree to import Swedish timber into this country. On 1st May, 1904, they open a Banking A/c. under the style of "Black & Thompson" for £2400, towards which Black contributes £1400 and Thompson £1000, they dividing Profits or Losses *pro rata* to their cash contributions (say $\frac{7}{12}$ths and $\frac{5}{12}$ths respectively.) They remit to their agent in Sweden £1800 to pay for the timber purchased out there, and, later on, a further £100 in settlement of his A/c. The Freight, Insurance, and Dock Charges are all paid on this side, and, together amount to £400. On 31st December, 1904, the various sales have realised £2400 net, which enables them to repay themselves (taking no account on Interest) the cash respectively advanced by them on 1st May, 1904. The venture is then closed by Black taking over the balance of timber unsold for £380, and for which he pays a cheque into the Banking A/c. How much Cash Balance does this leave for final division by way of Profit, and how is the same apportioned between Black and Thompson as their respective share of Profit thus realised on the venture? (*Cash Bal.* £480.)

3. There are two systems of Book-keeping; name them both, and state which you prefer, giving reason for such preference.

4. Edward Brown's books at 31st December, 1904, show the following, from which prepare B/S., marshalling the assets and Liabilities in their recognised order:—(1) Sundry Debtors £6000; (2) Cash at Bank on Current A/c. £1000; (3) Petty Cash £50; (4) Overdraft with the Bank; Investments (see item No. 11) lodged with blank transfers as security £3500; (5) B/P. £5500; (6) B/R. £4500; (7) Freehold Land and Buildings mortgaged (see item No.

10) £7500; (8) Stock £9000; (9) Creditors on Open A/cs. £7700; (10) Creditors on Mortgage (see item No. 7) £5000; (11) Investments, hypothecated (see item No. 4) £8000; (12) Reserve Fund £250; (13) Office Furniture £400; (14) Plant and Machy. £5500.

5. Do you consider B/R., which a firm has discounted with its Bankers (and which are not yet matured), to be a Contingent Liability, and, if so, show how you would state the same upon the B/S. **6.** Explain what you understand by a "Personal" Ledger A/c. and by an "Impersonal" Ledger A/c., and state which of them is divided into two categories, naming these categories.

7. Sketch the ruling of a Cash Book as used by Messrs. Blank & Co. (who bank everything with Messrs. Bullion & Co.), and enter therein three distinct Cash Entries on the debit side, and three on the credit side, showing at least two "Discount" and "Allowances" Entries (either both on one side, or one on each side, at your option) and in the posting columns give the initials of the respective Ledgers to which these entries are severally carried, thus:—"P/L." for "Private Ledger," "G/L." for "General Ledger," "B/L." for "Bought Ledger," "S/L." for "Sales Ledger," as the case may be, together with the Ledger folio in each instance. **8.** Give the principal heads of a Trading A/c., and also of a P. & L. A/c. (without figures), of a manufacturer's business, showing what usually appears on each side.

INSTITUTE OF BANKERS (*Final, 1907*).

1. Prepare Trading, P. & L. A/cs. and B/S. of John Brown, on 31st Dec., 1906. **Stock,** £3300. Reserve for Bad and Doubtful Debts £375, and Depreciate Plant and Machinery £500 and Goodwill £500. Transfer Net Profit to Drawing A/c.

Dr. Balances—	
Stock, 1st Jan., 1906	£3200
Salaries	500
Cash at Bank and in hand	2775
Debtors on Bills receivable	8550
Purchases during the year	35070
Rents & Rates	201
Miscellaneous Office Disbursements	257
Debtors on Open A/c.	7600
Wages	1630
Discounts & Allowances, Balance to the debit	110
Plant & Machinery	5000
Dr. Balances continued—	
Goodwill of Business	£2000
Repairs & Alterations	157
Freehold Premises subject to Mortgage, £4000	6000
John Brown, Drawing A/c.	4600
Interest	200
Cr. Balances—	
Creditors on Bills Payable	6097
Creditors on Open A/c.	6053
Creditors on Mortgage A/c. Freehold Premises	4000
Sales during the year	46700
John Brown, Capital A/c.	15000

2. Explain the meaning of the term "Marshalling the Assets and Liabilities" in a B/S. and explain the advantage of the same.

3. Ledger A/cs. consist of two categories—(*1*) Personal A/cs. (*2*) Impersonal A/cs. (sub-divided into) (*a*) Real A/cs. (*b*) Nominal A/cs. Allocate to the above the following twelve Ledger A/cs.:—(*1*) Creditors and Debtors on open A/cs. (*2*) Cash at Bank and in hand. (*3*) Stock. (*4*) Investments. (*5*) Wages. (*6*) Salaries. (*7*)

Purchases and Sales. (*8*) Plant and Machinery. (*9*) Rent and Rates. (*10*) Dividends on Investments. (*11*) Freehold Premises. (*12*) Discounts and Allowances.

4. The following are Arthur Brown's closing Ledger Balances (Liabilities and Assets) at 31st Dec., 1906, when he transfers the same to his son, William Brown. Make the Journal Entries (not Sundries Dr. to Sundries) that William Brown requires to make at 1st Jan., 1907, to open his Books of A/cs, and at the same time draw up a B/S., duly marshalling the Liabilities and Assets in proper order, and showing what his Capital is at that date :—Cash at Bankers £235, Loan from Bankers £1000, Cash in hand (Petty Cash) £15, Creditors on Open A/c. £500, Debtors on Open A/c. £1000, Bills Receivable £750, Stock of Goods in hand £1000, Patents £500, Bills Payable £250, Implements and Plant £1000, Reserve for Bad and Doubtful Debts and any other Contingency £250, Furniture and Fittings £500.

5. Show on which side of the A/c. the following items appear in a "Trading A/c." a "Profit & Loss A/c." and a "Balance Sheet," remembering that certain of these items appear as a "Debit" in one a/c. and a "Credit" in the other. The business is assumed to be a solvent, profitable one. (*a*) Stock at the commencement of the year. (*b*) Stock at the end of the year. (*c*) Salaries. (*d*) John Brown Drawing A/c. (after crediting him with net profits in excess of the Drawing). (*e*) John Brown Capital A/c. (*f*) Cash at Bank. (*g*) Creditors. (*h*) Debtors. (*i*) Sales. (*j*) Purchases. (*k*) Gross Profits (Balance of Trading A/c). (*l*) Net Profits (Balance of Profit and Loss A/c.) (*m*) Rent and Rates. (*n*) Reserve for "Depreciation" and "Doubtful Debts." (*o*) Investments. (*p*) Interest on Investments. (*q*) Dis. and Allowances (Bal. against Brown).

6. Explain the difference between :—(*a*) Open Letter of Credit. (*b*) Documentary Letter of Credit. **7.** As a rule, in order to arrive at a T.B. the balances of the respective a/cs. open at the time have to be extracted from two Books of A/cs., but, by a certain System, all such balances can be posted to one book, and extracted from that one book. Explain the system and give the names of the two books in the first instance, and then of the other book.

8. The B.S. hereunder is improperly drawn up, and in some cases items are shown on the wrong side (Liabilities requiring to be set out on the Debit side, and Assets on the Credit side). Set out this B/S., properly marshalling the A/cs., but not altering the individual figures except in the case of the Capital A/c., to which give the correct figure, adjusting the final totals.

Dr. BALANCE SHEET, 31st December, 1906. Cr.

To Cash at Bankers	£182	By Reserve	£137
,, Investments	1682	,, Creditors	4297
,, Capital A/c. (subject to adjustment as above)	8000	,, Cash in hand	2
,, Debtors	2246	,, Stock	2540
,, Loan from Bankers	1500	,, Freeholds	5033
,, Bills Receivable	330	,, Bills Payable	397
,, Goodwill	600	,, Plant and Machinery	2184

9. Supposing a set of Books, kept by single entry only, were placed in your hands for the purpose of preparing a B/S. and a P. and L. A/c., what further Ledger A/cs. would have to be set up to arrive at the double entry system required, and how would you proceed to complete this work required to be done?

10. Adam Brown and Joseph Smith are in partnership. Adam Brown on 1st Jan., 1906, had Capital amounting to £15000 in the business, and on 1st June, 1906, put into the business a further £5000. On 1st Jan., 1906, Joseph Smith had Capital amounting to £10000. The profits at 31st Dec., 1906, amount to £7000, and are dealt with as follows:—(*1*) Reserve for Bad and Doubtful Debts, £300 (*2*) Depreciation on Plant and Machinery, £500 (*3*) Interest at 5% on Partners' Capital from the dates paid in respectively. (*4*) Balance Net Profit divided as under, say:—Adam Brown, two-thirds, Joseph Smith, one-third. Write up Adam Brown's and Joseph Smith's Ledger A/cs. for 1906, and show the balance to the credit of each on 1st Jan., 1907.

INSTITUTE OF SECRETARIES (*June, 1905*).

Intermediate candidates should answer the first ten and Final candidates the last ten questions.

1. State shortly the advantages of double entry over single entry book-keeping. **2.** What is a Journal? State what classes of transactions are not now usually journalised, and the advantages of this course. **3.** Give an example of a Bill for £80, drawn at four months on the 1st Jan., 1905, by James Williams on Robinson and Co., and accepted by the latter, payable at Lloyds Bank, Ltd. What stamp does this bill require, and when is it due for payment? **4.** Assuming that the Bill referred to in the previous question is dishonoured at maturity, what entries should be made in the books of the drawer and acceptors, respectively? **5.** What is a Trial Balance? Can a T.B. itself ever have a balance? If so, what does it mean? **6.** Explain the difference between Gross and Net Profit.

7. From the books of A, which have been kept by single entry, and from other sources, it appears that his position on the 31st Dec., 1904, was as follows:—Book Debts £7000, Cash in hand £10, Stock-in-Trade £3000, Furniture, Fixtures and Fittings £500, Trade Creditors £2500, Bank Overdraft £1000, A. had commenced business on the 1st Jan., 1904, with a Capital of £3000, and during the twelve months had drawn out £600. Prepare a statement showing A's profit for the year 1904, after allowing for depreciation, &c., at 10% per ann. (*Profit* £4560).

8. From the following T.B. prepare Trading, P. & L. A/cs. and B/S. of the London Electro-Plate Co., Ltd., on 31st Dec., 1904. **Stock** £15000. Nominal Capital £100000 in Shares of £1 each. Depreciate Plant and Machinery 7½% per ann. Provide a further sum of £120 to cover Bad and Doubtful Debts

Dr. Balances—	
Freehold Land & Buildings ...	£40000
Machinery & Plant	30000
Stock on 1st January, 1904	18000
Materials Purchased.....	24000
Wages	10000
Office Salaries & Expenses.....	3000
Fuel & Motive Power	1200
Rates & Taxes..... ...	500
Discounts	750
Bank.....	3000
Book Debts	7000

Dr. Balances continued—	
Cash in hand	£20
Bad Debts	180
Returns & Allowances.....	3000
Patents.....	11350
Cr. Balances—	
Subscribed Cap. (fully paid)	75000
5% Debentures (issued 1st July, 1904)	20000
Trade Creditors.....	3000
Sales	54000

Answer.—*Gross Profit* £14000 ; *Net* £5500 ; *Total B/S.* £104000.

9. What do you understand by "Goodwill?" and how would you deal with this item in the successive Balance Sheets of a manufacturing company? **10.** How should Premiums received on the issue of the Capital of a limited company be dealt with in the books? Give your reasons. **11.** On the 31st Dec., 1904, A, B, and C dissolved partnership and on the adjustment of a/cs. it appears that A's Capital A/c. shows a credit balance of £3000, B's a Credit balance of £1000, while C's Capital A/c. is overdrawn to the extent of £500. The balance to the credit of the firm at the bank is £3500. C is adjudicated bankrupt, and nothing can be recovered from his estate. How should the bal. at bank be divided between A and B?

12. State as fully as you can the difference between :—(*a*) Depreciation. (*b*) Maintenance. (*c*) Sinking Fund. **13.** State shortly the respective advantages and disadvantages, under varying circumstances, of (*a*) Card Ledgers. (*b*) Loose-Leaf Ledgers, as compared with ordinary bound Ledgers. **14.** State fully how you would deal in the books of a company with payments made to the Commissioners of Inland Revenue in respect of Income Tax under Schedule "D," and with deductions made from debenture Interest and dividends to shareholders in respect of Income Tax.

INSTITUTE OF SECRETARIES (*December, 1905.*)

1. What do you understand by the signs "Dr." and "Cr."? **2.** Distinguish between Real, Personal, and Nominal A/cs.? Give one example (each) of a transaction affecting (*a*) only Real A/cs.,(*b*) only Personal A/cs., (*c*) only Nominal A/cs., (*d*) all three classes of A/cs.

3. Prepare Trading, P. & L. A/cs., and B/S. on 31st Dec., 1904. **Stock** £1000. Depreciate Fixtures and Fittings at 10% per ann. and divide the Net Profit in the proportions of three-fourths to A, and one-fourth to B.

Dr. Balances—	
A. Drawing A/c.	£500
B. „ „	300
Fixtures & Fittings	500
Bills Receivable	400
General Expenses.....	200
Purchases	4000
Rent.....	150
Sundry Debtors.....	3400

Dr. Balances continued—	
Salaries	£250
Stock, 1st January, 1904	700
Cr. Balances—	
A. Capital A/c.	3000
B. „ „	1000
Sundry Creditors	2000
Sales	4400

Ans.—*Gross* £700 ; *Net* £50 ; *Cap. of A.* £2537 10. ; *B.* £712 10.

4. Taking the T.B. given in the previous question state to what class of Ledger A/c. each item belongs, and the exact meaning of each balance. **5.** On completing the P. & L. A/c. from a set of books you find that the result of the year's operations is a loss of £1000. How would you deal with this item in the case of (*a*) a company, (*b*) a partnership, (*c*) an individual **6.** Explain exactly what you understand to be the meaning of the credit balance appearing on the Capital A/c. of (*a*) a company, (*b*) an individual. **7.** Define "Gross Profit." State what a/c. shows the gross profit of a business, and what is the object of ascertaining it? **8.** On the 5th Nov., 1904, A. sold goods to B, to the value of £105, drawing upon B. at three months for the amount. On the 15th Nov. he discounted the Bill with the London and County Bank, who charged him £1 10s. On the 3rd Feb., 1905, A. having ascertained that B. would not be able to meet the Bill, forwarded him a cheque for £50 and with this assistance upon the part of A. the Bill was duly met at maturity. Show in the form of Journal entries, how these transactions should be recorded in the books of B. **9.** Taking the facts stated in the previous question, show the a/cs. in the Ledger of A. which are affected by these transactions. **10.** If you were asked to verify the Balance at Bank shown by a Cash Book, and agree it with the balance shown by the Bank Pass Book, how would you proceed? **11.** State exactly what you understand by a Sinking Fund. With what object is it created, and how is that object effected? **12.** A Company offers for subscription 250000 shares of £1 each at a premium of 2s. 6d. per share, payable 5s. on application, 7s. 6d. on allotment, and the balance one month after allotment. Explain how you would deal with the various applications as received, and what records you would keep of the transactions between the Company and each separate applicant up to the time of opening the share ledger. Give "pro forma" rulings of any special books that would be required. **13.** In response to the offer referred to in the above question, applications were received on 1st Oct., 1905, for 300000 shares. The Company went to allotment on the following day, when applications for 10000 shares were declined and the deposits received on application returned, applicants for 80000 shares received only half the amount of their respective applications, and the excess of their deposits was applied towards payment of the amount due on allotment. The remainder of the applications were allotted in full. Show the Journal entries to record above, including the Cash items.

14. From the Trial Balance of the Manchester Manufacturing Co., Ltd., for the half-year ended 30th June, 1905, prepare Trading, P. & L. A/cs. and B/S. **Stock,** £15000. Depreciate Plant and Machinery 10% per ann., Business Premises 2½% per ann. Add £150 to Reserve for Doubtful Debts.

Dr. Balances—	
Calls in Arrear	£250
Stock, 1st Jan., 1905	14500
Plant and Machinery	4300
Trade Debtors	20000
Bills Receivable	4800
Cash in hand	25
Cash at Bank	5600
Carriage	550
Travellers' Commission	300
General Expenses	350
Rates and Taxes	480
Purchases	42000
Wages	12500
Discounts	1500

Dr. Balances continued—	
Bad Debts	£270
Salaries	1200
Directors' Fees	1000
Business Premises	26000
Auditors' Fee	50
Cr. Balances—	
Cap. A/c. (50000 Shs. of £1 each)	50000
Trade Creditors	9600
Bills Payable	500
Reserve for Doubtful Debts	50
Reserve Fund	10000
Sales	65000
Discounts	500
Transfer Fees	25

Ans.—*Gross Profit* £10450; *Net* £5135; *Total B/S.* £74985.

INSTITUTE OF SECRETARIES (*June, 1906.*)

1. Explain as clearly as you can why it is that the total of the entries on the debit side of a Ledger kept by double entry equals the total of the credit entries. **2.** Assuming that a set of books have been correctly entered up to date what is the meaning of each of the following balances? (*a*) Bad Debts, Dr. £46 10. (*b*) Discounts and Allowances, Dr. £120 10. (*c*) Returns, Cr. £16 5. (*d*) Bank, Cr. £532. **3.** Upon which side of what Ledger A/c. would you look for information upon each of the following items? (*a*) Rent of Business Premises paid in advance. (*b*) Amount reserved for Bad and Doubtful Debts. (*c*) Bills Receivable discounted.

4. From the following T.B. prepare Trading, P. & L. A/cs. and B/S. of A.B. on 31st Mar, 1906. **Stock**, £4000.

Dr. Balances—	
Stock, 1st April, 1905	£5000
Purchases	25000
Salaries	4000
Sundry Debtors	12000
A.B. Drawings	2000
General Expenses	1200
Bills Receivable	2000

Cr. Balances—	
Sales	£34000
Discounts	800
Sundry Creditors	5000
Bills Payable	3000
Bank	3000
A.B. Capital A/c.	5400

Answer.—*Gross Profit* £8000; *Net* £3600; *Total B/S.* £18000.

5. On the 1st Jan., 1906, A drew upon B for £1000 at three months and B accepted the bill on the following day. On the 1st Feb. A discounted this bill with his bankers, who charged him 5% per ann. for the accommodation. The bill was duly met at maturity. Show, in journal form, the proper entries in the books of A. **6.** A received from B on consignment 600 barrels of flour at 20s. per barrel. He paid freight £25, insurance £5, and storage £5. He sold 300 barrels at 26s. and the remainder at 25s., and charged B a commission of 2½% on such sales. You are required to show how the above transactions would appear in the books of A. **7.** Taking the facts stated in the preceding question, you are required to show how the transactions would appear in the books of B assuming that the a/c. is settled by A forwarding to B a bill drawn on C at three months, which is duly accepted and met at maturity. **8.** Sometimes provision is made for depreciation of

Plant by writing off a fixed proportion of the original cost in each year, and sometimes by writing off in each year a fixed percentage of the balance of the a/c. as it stood at the commencement of that year. Supposing that it is desired to write Machinery which cost £1000 down to (say) £600 at the end of the fifth year, state the amount that would be charged against each year's profits under each of these two systems. **9.** How is it that "Capital A/c." appears as a liability upon a balance sheet? **10.** On the 1st May, 1906, A and B, who have previously carried on business apart, join in partnership. Show, in journal form, the entries necessary to open the books of the new firm, supplying imaginary details.

11. Prepare Trading, P. & L. A/cs. and B/S. of the X Colliery Co., Ltd., on 31st Dec., 1905, **Stock** £2500.

Dr. Balances—	
Stock on hand, 1st Jan., 1905	£1200
Leasehold Colliery, Plant, Machinery	400000
New Works Expenditure	180000
Trade Debtors	80000
Bills Receivable	15000
Bank	24000
Stores & Materials in hand 31st Dec., 1905	3500
Interim Div. paid 1 Aug., 1905	30000
Wages	250000
Rents & Royalties	50000
Stores, &c., consumed	60000
Horses	6000
Dr. Balances continued—	
Horsekeep & Maintenance	£7500
Waggon, Hire, Freight and Carriage	40000
Discounts	12500
Salaries	4000
Directors' Fees	2000
General Office Expenses	3000
Rates, Taxes & Insurance	7500
Cr. Balances—	
Cap. 500000 Shares of £1 each	500000
Reserve Fund	100000
Profit & Loss A/c.	5000
Sales	500000
Sundry Creditors	71200

Answer.—*Gross Profit* £191300; *Net* £64800; *Total B/S.* £711000.

12. Re-draft the B/S. of the X. Co. referred to in the preceding question, showing how it should appear if framed on the double-account system. **13.** How would you deal with the expenditure upon the acquisition of patents in successive B/S.'s of an ordinary manufacturing company? **14.** What is the difference between a Reserve and a Reserve Fund, and when is it desirable that each should be represented by investments outside the business?

INSTITUTE OF SECRETARIES (*December, 1906*).

1. How many kinds of books are there? Name them. **2.** Give a pro-formâ example of a Cash Book having columns for Discount, Office Cash, and Bank. Insert six typical entries on each side, rule off the book, and bring down the balances. **3.** Upon which side of what Ledger a/c. does the balance fall which indicates (*a*) the amount of the bank overdraft, (*b*) the amount of bills payable standing, (*c*) the amount of the undivided profits of a company. **4.** Record the following transactions in a Journal:—Jan. 1, Sold goods to A, £100; 5th, Received from B. & Co. their bill for Law costs, £50; 8th, Received acceptance from A for £100; 20th, Paid B. & Co., by cheque £48 in settlement of their a/c. **5.** Distinguish between Trade Discount and Cash Discounts, and state how each should be dealt with in the books of a commercial business. **6.** Give the pro-formâ ruling of a book suitable for recording the subscriptions received by (*a*) a club; or (*b*) a charitable institution.

7. What is Goodwill? How should the amount paid therefore be dealt with in the successive B/S. of (*a*) and individual trading alone, (*b*) a partnership, (*c*) a limited company.

8. Prepare Trading, P. & L. A/cs., and B/S. of John Welbeck & Co., Ltd., Manufacturers, on 31st Dec., 1905. **Stock** £18750. Depreciate Patents 10% per ann., Machinery & Plant 10% per ann., Loose Tools 7½% per ann. Reserve £150 for doubtful debts.

Dr. Balances—	
Freehold Land & Buildings	£40000
Machinery & Plant	48000
Loose Tools	5000
Stock, 1st Jan., 1905	17500
Materials Bought	23750
Wages	9000
Office Salaries & Travellers	2500
Coal & Coke	1300
Rates & Taxes	430
Discounts	820
Blankshire Banking Co., Ltd.	3600
Sundry Debtors	6800
Cash in hand	90
Dr. Balances continued—	
Bad Debts	£125
Sales Returns	1880
Repairs	405
Interest on Debentures	800
Patents (cost)	18000
Cr. Balances—	
Issued Capital	100000
Debentures	20000
Sundry Creditors	2000
Bills Payable	4500
Profit & Loss A/c.	500
Sales	53000

Answer.—*Gross Profit* £19620; *Net* £6115; *Total B/S.* £133115.

9. What do you consider the best way of providing for Depreciation of Plant in the case of a manufacturing business? Illustrate your answer by showing the entries in a Plant A/c. for three years, assuming the original cost of the assets to have been £1000. **10.** Distinguish between Gross Profit and Net Profit in the case of a large trading concern divided into several departments. **11.** On the 1st Sept., 1906, the A. Co., Ltd., purchases the business of A. as a going concern. The assets consisted of:—Machinery and Plant £390000, Stock-in-Trade £90000, Trade Debtors £50000, Land and Buildings £200000, Work in Progress £30000. It was arranged that the Company should take over and discharge the liabilities of A. amounting to £50000. The purchase price was fixed at £750000, payable £250000 in cash, and the balance in fully paid ordinary shares of £1 each. Show Journal entries to record these transactions. **12.** The X Mining Co., Ltd., having its registered office in London, remitted to its Manager in West Australia during the year 1905 the sum of £5000. At the end of the year it received from its Manager returns showing expenditure as follows:—Wages on Development £1000, Wages on Mining and Milling £1200, Salaries £500, Stores £1500, Sundry Expenses £200. During the year Stores to the amount of £500 had been used chargeable against development, and £700 chargeable against mining and milling. Bullion sold had produced £2400, and the estimated amount of bullion unsold was £500. Show the Journal entries in the Head Office books.

13. How is Depreciation of Fixed Assets provided for under the double a/c. system? **14.** The X Co., Ltd., by its Articles of Association, is required to set aside and invest the sum of £1000 per ann. before declaring any dividends, in order to provide for the redemption of £40000 Debentures redeemable in 25 years. At the

end of that time the instalments so set aside have accumulated at compound interest to £41645. The investments have been sold, and the Debentures repaid out of the proceeds of such sale. State how you would deal in the Company's B/S. with the credit balance of £41645 representing the accumulation of the annual instalments.

INSTITUTE OF SECRETARIES (*June, 1908*).

1. State how many different classes of Ledger A/cs. there are, and give one example of each class, stating upon which side of the a/c. the balance would normally be. **2.** What do you understand by the expression, "Closing the books?" When does this operation take place, and what is its purpose? **3.** Journalise the following transactions:—(*a*) Bought from A goods value £50. (*b*) Sold to B goods value £25. (*c*) Allowed B as discount 12s. 6d. **4.** What do you understand by Tabular Book-keeping? State shortly under what circumstances the system is advantageous.

5. X, a merchant, in the course of preparing his B/S. for the past year, finds upon his books the following debit balances:—A, £10; B, £12; C, £15. A's a/c. he regards as wholly bad, and he does not expect to recover more than half of the amount due from B, and two-thirds of the amount due from C. Show Journal entries in X's books before preparing his B/S.

6. Prepare Trading and P. & L. A/cs. and B/S. of a City Merchant for the year ended 31st Dec., 1907; **Stock** worth £5000.

Dr. Balances—	
Stock 1st Jan., 1907	£4800
Purchases	12250
Premises	9500
Salaries	650
Carriage & Freight	750
Rent, Rates & Taxes	500
General Expenses	275
Bad Debts	75
Dr. Balances continued—	
Bank	£2400
Drawings	1200
Bills Receivable	600
Cr. Balances—	
Sales	16500
Sundry Creditors	5000
Bills Payable	500
Capital A/c	11000

Answer.—*Gross Profit* £3700; *Net* £2200; *Total B/S.* £17500.

7. Instance three different kinds of errors in a/cs. that would not disturb the agreement of the T.B.

8. Show the Ledger a/cs. affected by the following transactions, and state through what book of first entry each would be recorded:—

1908.—Jan. 1. Sold to A goods value £100.
„ 5. „ „ „ £200.
Feb. 1. Drew upon A at three months for £300.
„ 4. Discounted A's acceptance with Bankers at 6%.

9. State how you would deal with Cash Discounts in a business where the receipt and allowance of such discounts is frequent.

10. On the 1st Jan., 1888, the A. Co., Ltd., acquired a fifty year's lease of its business premises, paying therefor £10000. It was decided to provide for Depreciation by setting aside £90 per annum as a Sinking Fund, and on the 31st Dec., 1907, the amount so set aside had (with int.) accumulated to £2400. On the 31st Dec., 1907, the Directors obtained from an Insurance Co. a Policy assuring them the payment of £10000 at the end of thirty years, in

consideration of an annual premium of £220, the first premium being paid on that date; having thus provided for the redemption of Capital they gave instructions that the £2400 accumulated during the past 20 years should be stated in the B/S. dated 31st Dec., 1907, as "Reserve Fund." Do you consider this treatment correct? Give reasons for your answer.

11. Capital expenditure has been defined as expenditure of such a character as to necessarily involve further expenditure for up-keep in subsequent years. Give two examples of Capital Expenditure that would not be covered by this definition. **12.** State shortly the difference between the basis for the valuation of assets in the B/S. of a going concern and in the Statement of Affairs of an insolvent business. **13.** What is sectional balancing?

14. X. & Co. are Wholesale Drapers. It is their practice when preparing their annual B/S. to make a Reserve of 2½% on their Trade Debtors and Creditors to cover Cash Discounts. On the 31st Dec., 1906, the Outstanding Debtors were £4872, and the Creditors £2648. At the end of the following year the figures were £3980 and £2964 respectively. During the year 1907 the totals of Discounts (as per Cash Book) were as follows:—Dr. £1623, Cr. £1205. Show the Discount A/c. for the year 1907, as it would appear after closing the books on the 31st Dec. last.

SOCIETY OF ARTS (*Advanced, 1905*).

Q. 1. Explain the difference between a "Trading" A/c. and a "P. & L." A/c., and state in which a/c. you would place the following, giving your reasons:—Purchases, Manufacturing Wages, Carriage, Returns, Sales, Allowances, Debenture Interest, Salaries, Advertising, Stocks and Materials.

Q. 2. Show how the following transactions should appear in the books of Richard Random & Sons. They shipped goods to Paul Gold, their agent at Cape Town, on 1st September, 1904, and sent therewith a *pro forma* invoice for £578 (goods £500, freight £60, and insurance £18). On 28th October Paul Gold sent home an A/S., from which it appeared that a portion of the goods had realised £460; and, deducting exs. £10 and comm. £25, he enclosed a draft at 3 months for the balance. The stock unsold amounted at invoice prices, plus exs., to £280. On Nov. 2, he sent home another A/S., which showed that the balance of the consignment had realised £320; which, less £8 exs. and £10 comm., he remitted by a 3 month's draft. (*Profit on Consignment* £149).

Q. 3. The undermentioned errors were made by the counting house staff in the books of Messrs. Black & Brown during the year ended Dec. 31, 1904. How would you adjust these errors, and how would they affect the Annual A/cs. for that year?.—(*a*) On June 30,

a builder's charge for the erection of a small shed, amounting to £198, was analysed in the Purchases' Journal under the head of "Repairs" and posted to that a/c. (*b*) On July 1 a cheque for £18 2 4 received from James Smith was dishonoured and posted to "Allowances A/c." (*c*) On Aug. 12 the total of the previous month's wages was debited to "Manufacturing Wages A/c." During the month some new machinery had been put down, and the firm's own men had spent time thereon amounting to £141. (*d*) On Dec. 28, goods to the value of £64 were returned by Francis White and taken into stock; but not entered in the books until 2nd Jan., 1905.

Ex. The North London Engineering Co., Ltd., was registered on Jan. 1, 1903, with a nominal capital of £100000 in Ordy. Shs. of £1 ea. It had power to issue £15000 Mortgage Debentures of £100 each, bearing interest at 4% per ann. It took over on that date an existing business and commenced manufacturing. At the close of 1904 **stock** was valued at £14250. The following **adjustments** were necessary before closing the a/cs.:—(*a*) Depreciation of Plant and Machy. at 10%, Patents at 20%; (*b*) Half-year's Debenture Int. due on Dec. 31 to be reckoned; (*c*) 5% provision for bad and doubtful debts to be made. Prepare Trading A/c., P. & L. A/c. and B/S. after carrying £1500 profit to the Reserve A/c.

Dr. Balances—	
Unpaid Calls	£300
Patents	900
Cash	320
Sundry Debtors	7240
Machinery & Plant	12480
Freehold Buildings (Jan. 1)	24000
Stock (Jan. 1, 1904)	17200
Manufacturing Wages	22100
Salaries	2400
Carriage	560
Rates, Taxes & Insurance	252
Trade Expenses	721
Repairs	240
Purchases	84604
Mortgage Debenture Interest	180
Provision for Auditors' Fees	75
Dr. Balances continued—	
Bad Debts	£578
Int. payable & Bank charges	198
Additions to Buildings during the year	3840
Cr. Balances—	
Share Cap. A/c. (60000 shs. of £1 each issued and 10/- per share called)	30000
Sundry Creditors	4095
Reserve A/c.	8500
Mortgage Debenture	9000
Sales	121580
Rents	374
Unpaid Dividends	58
Holdfast Bank, Ltd. (overdraft)	4200
Bad Debts Res. Jan. 1, 1904	321

Answer.—*Gross Profit* £11366; *Net* £5507; *Total B/S.* £61240.

SOCIETY OF ARTS *(Advanced, 1906).*

Q. 1. Walter Robinson, who is a slate merchant, has recorded his transactions in the following books:—(*a*) Sales Day Book, in which all sales to customers have been entered. The sales have been posted in detail to the debit of the customers' personal accounts in the "Sales Ledger." (*b*) Cash Book:—Only "Bank" items have been dealt with in this book, and all cash thus received and paid has been duly entered. Cash received from customers has been posted to their credit in the "Sales Ledger." Cash paid to creditors for goods purchased has been posted to their debit in the "Purchases Ledger." With these exceptions, no further post-

Dr. Profit & Loss Account for the Year ended 31st December, 1904. Cr.

To Salaries A/c.			£2400	By Gross Profit from Trading A/c.	£11926
,, Carriage A/c.			560	,, Rents Receivable A/c.	374
,, Rates, Taxes & Insurance A/c.			252		
,, Trade Expenses A/c.			721		
,, Repairs A/c.			240		
,, Depreciation Plant & Machinery at 10%		£1248			
,, Depreciation Patents A/c. @ 20%		180	1428		
,, Mortgage Debenture Interest A/c.		180			
,, ,, due 31 Dec. /04		180	360		
,, Provision for Auditors' Fees			75		
,, Bad Debts A/c.		578			
,, Provision for B. & D. Debts @ 5%	£362				
Less Reserve for do., 1st January, 1904	321	41	619		
,, Interest & Bank Charges			138		
,, **Net Profit** carried down			5507		
			£12300		£12300
To Reserve Account			1500	By Net Profit brought down	5507
,, Balance available for Distribution			4007		
			£5507		£5507

Balance Sheet on 31st December, 1904.

Liabilities.			*Assets.*		
Capital :- *Nominal* 100000 Ordinary Shares of £1 each		£100000	Freehold Buildings, 1 January, 1904	£24000	
			Additions to do.—during 1904	3840	£27840
Issued 60000 Shares of £1 each 10/- per share called up	£30000		Machinery & Plant A/c. 1 January, 1904	12480	
Less Calls in Arrears	300	£29700	*Less* 10% Depreciation	1248	11232
Mortgage Debenture A/c. Issued 90 Bonds @ £100 each		9000	Patents Account 1 January, 1904	900	
Reserve Account 1st January, 1904	8500		*Less* 20% Depreciation	180	720
Add amount from Profit, December, 1904	1500	10000	Stock on hand		14250
Creditors :—Debenture Interest due	180		Sundry Debtors	7240	
Sundry Creditors	4095		*Less* Provision for Bad Debts 5% on £7240	362	6878
Unpaid Dividends	58	4333	Cash in Hand		320
Holdfast Bank Ltd., Overdraft		4200			
Profit & Loss Account, Balance		4007			
		£61240			£61240

ing has been done. (*c*) Petty Cash Book:—This book, used for small cash payments, has been kept in funds by a weekly cheque passed through the "Cash Book." (*d*) "Sales" and "Purchases" Ledgers, as referred to above. Statements from creditors and receipts have been kept on a file, but not otherwise dealt with. Except as detailed above, no further record of any kind has been kept by Robinson of his business transactions. Is Robinson's system of book-keeping an efficient one? If not, what alterations or additions will be necessary, in order that he may be in a position to prepare proper annual accounts?

Q. 2. Black and White entered into partnership upon equal terms as to profits or losses of the venture, for the purpose of perfecting an invention with a view to its sale to a Syndicate. No interest was to be paid on Partners' Capital prior to division of results. Black contributed £300 and White £150 to cover the cost of experiments, White giving his personal services without salary. Upon the completion of the necessary experiments the purchases and expenses were found to have amounted to £478. Black then advanced a further £50 and White paid £22 for Patent Fees, &c. The invention was sold by them to a Syndicate for £1000 in cash, which was paid to them, and 1000 fully paid shares of £1 each in the Syndicate, and these were duly allotted. Upon dissolving the partnership, White arranged to take over the stock of materials at an agreed valuation of £36, and undertook to discharge outstanding liabilities (if any). Black consented to take over the 1000 fully paid shares at an agreed valuation of £50. Prepare the accounts necessary upon the dissolution of partnership.

Q. 3. What is a "Cost Account"? Give a specimen of a Cost Account suitable for use in some manufacturing business with which you are acquainted, giving both the ruling of such account and also entering not less than six and not more than twelve items of cost relating to that particular manufacture. **Q. 4.** What is meant by the "Double Account" system of Book-keeping? To what classes of enterprise does it refer?

Ex. The Sherbourne Iron Furnace Co., Ltd., has a registered cap. of 150000 shares of £1 each; 120000 shares upon which 10s. per share has been called up, have been issued and subscribed. Owing to default by non-payment of Calls, 100 shares, upon which £5 have been received, have been forfeited in accordance with the Articles. On 30th Sept., 1905, the **Stock** was certified by the Managing Director:—Pig Iron £16045, Limestone £78, Coal and Coke £900, Iron Ore, &c., £1128. The balances were extracted after all the necessary trade reserves and depreciations had been adjusted. Prepare a "Furnaces" (or Working) A/c., showing the cost of the Pig Iron produced, a Trading and P. & L. A/c. for the year ended 30th Sept., and a B/S., after carrying £2000 to the Dividend Reserve A/c.

Dr. Balances—	
Freehold Premises	£23400
Furnaces, Fixed Plant & Utensils	24920
Locomotives & Rolling Stock	7411
Wages (Furnaces)	8724
Limestone Stock	122
Coal & Coke Stock	1400
Iron Ore, &c., Stock	1006
Pig Iron Stock	26272
Coal & Coke Purchases	27227
Limestone Purchases	3320
Iron Ore, &c., Purchases	14467
Sundry Debtors	7257
Rates & Taxes	1297
Repairs & Renewals of Furnaces, &c.	2500
Repairs & Renewals of Rolling Stock, &c.	1221
Office Salaries & Sundry Wages	1728
Travelling Expenses	237
Dr. Balances continued—	
Insurance (Fire & Employers' Liability)	£385
Law Charges	233
Bad Debts	9
Dividend A/c. (paid March 31, 1905, on a/c. of year ended Sept. 30, 1904)	5995
Cash in hand	224
Carriage Inwards	2000
Carriage Outwards	3000
Cr. Balances—	
Reserve	2000
Share Capital	59950
Bills Payable	120
Profit & Loss	7822
Sales	86873
Forfeited Shares	5
Sundry Creditors	5604
Bank Overdraft	1981

Answer.—*Gross Profit*, £17986; *Net*, £9876; *Distributable*, £9703.

SOCIETY OF ARTS. (*Advanced, 1907.*)

Q. 1. Give the form of B/S. as provided by law for one of the following:—(*a*) Gas Co; (*b*) Railway Co.; or (*c*) Insurance Co.

Q. 2. A Manufacturer, whose business is divided into the three departments of knitted mufflers, sailors' jerseys and woollen gloves, adopts the following method of recording his sale transactions, When goods are dispatched, an Invoice is made out in an Invoice Carbon Copy Book, and sent to the purchaser. The Carbon Copy Book is then handed to the Ledger Clerk, who writes the Ledger folio of the customer's a/c. under the total of the Copy Invoice, and posts the item to the debit of the customer's a/c. in the Ledger thus:—*Invoice No.*

April 1, 1907. To Goods, N.B., No. 0001, £59 12 10.

Does this method appear to you to provide an adequate record? If not, what would you suggest and with what object?

Q. 3. What special instructions would you suggest should be given at the time of "Stocktaking" to the clerks who are responsible for checking inwards invoices and have charge of the Purchase Book and Purchase Ledger, so as to insure the accuracy of the figures representing Purchases, Expenses and Stock as appearing in the Trading A/c. for the period under review.

Q. 4. George Hargreave commenced business as a builder on 1st Jan., 1906. He owns a gravel pit, from which he obtains material useful to him in executing his building contracts. From the following figures you are required to prepare the gravel pit Working A/c. for the past year to 31st Dec., 1906, so as to enable him to charge the gravel he uses for his various contracts at the cost price per load. The gravel pit is leased to him for 24 years at a rental of £10 a year, and this he has duly paid. The equipment, consisting of the necessary screening machinery, &c., has cost him £552. The wages of the men at the pit for the year have been £247,

while supplies to the department issued from the general stores (as shown by the storekeeper's records) were implements £43 15 6d., coal and coke £20 5s. 5d., and sundries £11 11s. 1d. Sales of gravel at the pit to outside purchasers amounted to 1568 loads at 2s. 6d. per load. Mr. Hargreave has used on his contracts during the year 2304 loads of gravel, carted from his pit with his own carts, to cover which he has charged his gravel pit Working A/c. 4½d. a load. In preparing the A/c. provide for writing off the value of the equipment over the period of the lease, by equal annual amounts; and, as he allows the pit the benefit of any profit on outside sales, to charge the working a/c. with interest at 5% per ann. on the equipment. **Answer.**—*Cost of Gravel per load, 2/-.*

Ex. The John Smith and Steel Nib Co., Ltd., was registered on, and took over the business of John Smith, as from 1st Jan., 1906. Smith sold his business to the Company upon the following valuation:—Buildings (on Leasehold premises with 21 years to run from 1st Jan., 1906) £7500; Machinery and Plant £11650; Stock and Materials £3872; Goodwill £10000. The Company took over the Book Debts, which Smith guaranteed, while he discharged the liabilities existing on 31st Dec., 1905. The company was registered with a Nominal Capital of £80000 divided into 80000 shares of £1 each. Of these 25000 fully paid shares were allotted to the Vendor as part consideration for the sale of the business, the balance being paid to him in cash. 20000 shares were offered to, subscribed, and fully paid by the Public, with the exception of 200 shares on which 10s. per share had been paid, and which were forfeited during the year 1906, by resolution of the Board of Directors, owing to the non-payment of the final call of 10s. per share. The books were closed on 31st Dec., 1906, the **Stock** amounted to £6760. Write off $\frac{1}{20}$th of the value of the buildings (to provide for the expiration of the Lease); 8% of the Machinery and Plant; one-fourth of the Preliminary Exs.; and 5% for Bad and Doubtful Debts. Prepare Trading and P. & L. A/cs. and B/S.

Dr. Balances—	
Purchases	£35720
Rent	76
Rates & Taxes	211
Wages	8241
Salaries	917
Manufacturing Expenses	2163
Returned Sales	763
Discounts allowed (of which £239 were allowed on debts which were guaranteed in full by Smith, and are payable by him)	1038
Office Expenses	1006
Directors' Fees	200

Dr. Balances continued—	
Sundry Debtors	£12380
Preliminary Expenses	400
Bad Debts (of which £187 were in respect of the debts guaranteed by Smith and are payable by him)	206
Cash at Bank	3599
Auditors' Fees	100
Cr. Balances—	
Sales	49798
Returned Purchases	311
Discounts received	561
Sundry Creditors	4467

State what dividend you would recommend to be paid to the Shareholders, and what balance of P. & L. A/c. would be carried forward to the next year.

Answer.—*Gross Profit* £6110; *Net* £1322; *Total of B/S.* £50689.

SOCIETY OF ARTS (*Advanced, 1908*).

1. If, on comparing your Bank Cash Book Balance with your Bank Pass Book Balance, you found that the two did not agree, what steps would you take to check the correctness or otherwise of your Bank Cash Book, and what would be the principal differences you would expect to find?

2. What is a "Cumulative Preference Share?" The A. B. Company is three years in arrear with the dividends on its 1000 6% Cumulative Pref. Shares of £1 each. Would this fact affect the annual a/cs.? If so, how?

3. Give what you consider would be a satisfactory ruling for the Cost Sheet of a manufacturer, with whose accounts you are familiar. State from what books of a/c. the necessary information for the completion of the Cost Sheet would be obtained.

4. A. and B. are partners in A. and B.'s Coal Stores, and they share profits and losses equally. On 31st Dec., 1907, they had cap. in the business—A £3100 and B £2600. The assets and liabilities of the firm, as on that date, stood at the following figures in the books:—Office Furniture and Fittings, £320; Coal Trucks, £930; Trade Creditors, £848; Cash at Bank, £1166; Carts, Plant and Horses, £476; B/P., £652; Sundry Debtors, £3720; Cash in hand, £18; and Stock of Coal, &c., £570. They agreed to take into partnership C, a coal agent, as from 1st Jan., 1908, on the following terms:—Profits and Losses to be shared:—A 2/5ths, B 2/5ths, and C 1/5th. C was to bring into the partnership "Book Debts" amounting to £560 (less a reserve for Bad Debts of 5%), and the Goodwill of his connection, valued at £310; while his Cap. in the new firm was to be £1000, the balance of which he was to pay in cash on signing the Articles of Partnership on 1st Jan., 1908. It was further agreed between A, B and C that the following adjustments should be made in the figures as shown on A and B's B/S. on 31st Dec., 1907:—The Coal Trucks were to be taken at £1000, and the Carts, Plant and Horses as at £550, the result of an independent valuation; a Bad Debt reserve of 7½% was to be deducted from outstanding Debtors; the Goodwill of the old firm (A and B) was to be taken at £455; and A was to be paid out from the Bank Bal. such a sum as would make his Cap. equal to B's. The Agreement was carried out. (*a*) Make Journal entries necessary to complete the above adjustments, and (*b*) Draw up a B/S. showing the position of the new firm as on 1st Jan., 1908.

Answer.—*Cap. A*, £2760; *B*, £2760; *C*, £1000; *Total B/S.*, £8020.

Ex. The Albury Mining Company, Ltd., was registered on 1st Jan., 1907, and commenced operations at once as an Exploring and Mining Co. The nominal Cap. consisted of 50000 Ord. Shares of £5 each. Of this Cap. 20000 shares were issued and taken up by

the public, 30/- per share being called up. During the process of sinking a shaft, a good deposit of clay was found, suitable for tile-making, and the Co. decided to manufacture and sell tiles, as a separate trading department. During the month of Dec. the Company's Engineer reported that a paying vein of tin had been reached; and the Directors decided that the cost to date of opening up this vein should be capitalised and written off over future years when the property was in full working order. Prepare (*a*) an a/c. showing the amount which you consider should be capitalised as representing the cost of opening up the tin vein, (*b*) an a/c., showing the trading results of the Tile Dept. for the year ended 31st Dec., 1907, and (*c*) the B/S. as on 31st Dec., 1907. The Directors decided that a charge of £343 should be made against the Tile Dept., as representing power, coal, &c., used; and a charge of £104, as representing a share of general trade exs. The **Stock** of tiles on hand as on 31st Dec., 1907, was valued at £718. On 31st Dec., 1907, the bal. of the Ledger A/cs. of the Co. were as follows:—

Dr. Balances—	
Freehold Land at cost	£7000
Buildings at cost	563
Preliminary Expenses	410
Stock of Stores and Coal, 31st Dec., 1907	988
Coal consumed	931
Wages	3843
Salaries	308
Stores used	2745
Stores (Tile Department)	56
Wages (Tile Department)	2733
Machinery & Plant at cost	12038
Sundry Debtors	359
Dr. Balances continued—	
Rates, Taxes, Office & Sundry Expenses and Carriage	£584
Carriage (Tile Department)	215
Legal Expenses (re Claim for injuries in Mine Accident)	220
Tramway & Wagons at cost	1100
Travellers' Commission (Tile Department)	63
Cash at Bank	2477
Cr. Balances—	
Capital	30000
Sales of Tiles	2599
Sundry Creditors	3407
Bills payable	627

Answer.—*Amount to be capitalised*, £8184; *Net Loss on Tile Department*, £197; *Total B/S.*, £34034.

SOCIETY OF ARTS. (*Advanced, 1909.*)

1. In a business consisting of various departments, in what way would you keep the Stock A/cs. so as to (*a*) minimise the danger of false returns by the Manager and (*b*) prevent theft on the part of dishonest employees?

2. A company having a Lease standing in their books at £5000 decide to provide for depreciation by taking out a policy for lease-hold redemption. How would you deal with the annual premiums in the books; and how would you adjust the a/cs. when the lease expires and the policy matures?

3. What do you understand by "Rebate on bills discounted," and how would you treat this item when preparing the Profit & Loss A/c. and B/S. of a Bank?

4. Jones, a trader, finding that, owing to his liabilities, he was unable to successfully carry on his business, executed a deed of assignment on 30th June, 1908, in favour of his creditors, under which the creditors agreed to accept 1s. in the £ in full satisfaction of their debts. Brown, the largest creditor (his debt amounting to £1000) arranged with Jones to take over the business and to pay in £300 in cash, in order to provide sufficient to pay the 1s. in the £ to the creditors, other than himself, and to furnish the necessary working capital for carrying on the business; and a legal agreement was, in due course, entered into between Brown and Jones whereby it was agreed that Brown should carry on the business until such time as Brown should, from profits earned, have recouped himself his old debt of £1000 and the £300 advanced by him to Jones, together with the further sums it might be necessary for him to pay in, in order to carry on the business. Jones was to manage the business during that time at a salary of £1 10s. 0d. a week and 5% commission on the net profits. When the profits had reached the amount necessary to recoup Brown for his original debt and subsequent advances, it was agreed that the business should revert to Jones. The creditors on 30th June, 1908, including Brown, amounted to £4000; the debtors, which were all presumed to be good, to £500; the Stock was valued at £200, and the Furniture and Fixtures at £20. Make the Journal entries necessary for opening the new books for Brown, as on 30th June, 1908. Presuming that, on 31st Dec., 1908, Brown's books showed Creditors of £80 (not including Jones' commission for the half-year); Debtors of £700; Furniture and Fixtures, after additions and depreciation had been taken into consideration, of £25; and Cash at the Bank and in hand £200; draw Brown's B/S. as on that date, taking the Stock at a valuation of £150. It is necessary, in accordance with the terms of the Agreement for the B/S. to show the amount then due to Brown.

Ex. The Manufacturing Co., Ltd., has a Nominal Cap. of 15000 shares of £10 each; and a Subscribed Cap. of 8000 shares, fully paid up. It manufactures goods for sale at its two branches A and B., which sell no goods other than those of the Company's manufacture. From the following T.B. as on 31st Dec., 1908, prepare Trading and P. & L. A/cs. for the Head Office and for each of the Branches for the year ended 31st Dec., 1908, and a B/S. of the Company as a whole as on that date. Stocks on hand valued as on 31st Dec., 1908, were:—Head Office, £10527 4 5; Branch A, £3024 12 1; Branch B, £1927 9 4. Write off depreciations:—Head Office Plant & Machinery 10%, Furniture & Fixtures Head Office 5%, Furniture & Fixtures Branch A 5%, Furniture & Fixtures Branch B 5%. Create a reserve for Bad Debts of 2½% on the Sundry Debtors. Write off £5000 from Goodwill and carry £10000 to Reserve. All carriage on the goods sent to the Branches is paid by the Head Office.

	Head Office.	Branch A.	Branch B.
Dr. Balances—			
Freehold Premises—Head Office.....	£40000 - -		
Branch A.	10000 - -		
Branch B.	10000 - -		
Goodwill	30000 - -		
Plant & Machinery, Head Office.....	8000 - -		
Furniture & Fixtures—Head Office...	500 - -		
Branch A. ...	700 - -		
Branch B. ...	800 - -		
Cash at Bank.....	6790 1 6		
Cash in hand	14 7 2	83 2 9	38 9 5
Stock in hand, 31/12/07	11245 5 1	2812 3 7	1994 17 6
Purchases (less returns)	65090 5 11		
Wages	39651 1 11	2419 - -	2622 3 4
Salaries	1500 - -	247 14 4	276 6 6
Carriage to Branches	1516 14 7		
Rates & Taxes	323 2 9	442 6 7	328 14 4
General Expenses.....	517 9 2	2016 4 6	1796 6 8
Goods from Head Office.....		94167 2 3	44267 - 2
Bad Debts		1552 8 2	746 17 11
Sundry Debtors		9620 2 9	5370 3 2
Income Tax..... } No apportionment	447 10 8		
Directors' Fees.. } of these items	1000 - -		
Audit Fee ..... } to be made.	105 - -		
Branch A. Current A/c.	301 18 3		
Do. B. do.	3353 - 8		
	£231855 17 8	£113360 4 11	£57440 19 -
Cr. Balances—			
Share Capital.....	80000 - -		
Sundry Creditors	11247 13 2	541 6 6	547 12 1
Goods to Branch A.....	94167 2 3		
Do. do. B.	44267 - 2		
Sales (less returns)		112517 - 2	53540 6 3
Profit & Loss A/c. (balance)	2174 2 1		
Head Office Current A/c.		301 18 3	3353 - 8
	£231855 17 8	£113360 4 11	£57440 19 -

Answer.—*Gross Profit, Head* £31457 19 4; *A.* £16143 6 5; *B.* £6583 14 7. *Net, Head* £26739 16 9; *A.* £11609 2 9; *B.* £3261 4 1. *Net Profit A/c., Bal. for Distribution* £28784 5 8. *Total of B/S.* £131120 17 5.

SOCIETY OF ARTS (*Advanced, 1910*).

1. John Garside keeps his "Sales Ledger" upon the "self-balancing" principle. Prepare the necessary "Adjustment A/c." as on 31st Jan., 1910.

Jan. 1.	Total debtors' debit balances at this date were ..	£12542
,, 31.	Total goods sold to customers for the month	21658
	Total goods returned by customers for the month	942
	Total cash received from customers for the month	15621
	Total discount allowed to customers for the month	968
	Total acceptances received from customers during month	3471
	Total acceptances dishonoured by customers during month	542

2. A. B. and C. D. are in partnership as manufacturers of printers' type. Their annual a/cs. are prepared upon the usual prudent lines and duly provide for depreciation, bad debts and like

matters. Is it probable that the net profit of the above business, as shown by the annual a/cs. of the firm, would be accepted by the Surveyor of Taxes as representing the amount assessable under Schedule (D) for Income Tax purposes? Give examples of any surcharges that you consider probable, if you are of opinion that the profit as shown by the firm's a/cs., would not be accepted as the basis of the assessment.

5. What is the chief difference between a "Receipts & Payments A/c." and an "Income & Expenditure A/c?" In what undertakings are these forms of accounts respectively made use of?

4. Give the "Drawing A/c." of John Robertson as it would appear in the firm's Private Ledger as on 31st Dec., 1909, under the following conditions:—His Capital on 1st Jan., 1909, was £5000. His Drawings were—1st May £250, 1st July £300, 1st November £200, 1st December £100. His share of profits for the year was £795. Interest is allowed by the firm's Partnership Articles on Capital, and charged on withdrawals at the rate of 5% per ann.

Ex. The Utopia Motor Works, Ltd., commenced business on 1st Feb., 1906, with a Nominal Capital of £200000, divided into 5000 Pref. Shares of £10 each, and 150000 Ordy. Shares of £1 each. Prepare Trading, P. & L. A/cs. and B/S. for year ended 31st Jan., 1910. Reserve for Interest on Loans accrued to 31st Jan., £26. Reserve for the proportion of Rates and Insurance paid in advance. **Stock,** 31st Jan., 1910, £19822. Loose Tools on 31st Jan., 1910, were valued at £7285. The Directors decided (1) that 2/3rds of the expenditure on advertising was to be carried forward in suspense; (2) that the whole of the expenditure on repairs was to be charged against the Repairs Reserve; (3) that the Reserve for Bad Debts was to be fixed at 4% on the value of the Trade Debtors; (4) that 5% depreciation was to be written off the value of the Plant as on 1st Feb., 1909; (5) that £361 was to be written off for depreciation of Buildings.

Dr. Balances—	
Plant (including additions during year £723)	£36803
Rates, Taxes, Gas, Water and Insce. (including Rates for 1 year to 31st Mar., 1910, £126, and Insce. for 1 year to 31st Mar., 1910, £240)	872
Stock, 1st Feb., 1909	14685
Goodwill	22000
Sundry Trade Debtors	8700
Calls in Arrear (Ordy. Shares)	806
Preliminary Expenses	537
Purchases (including Carriage)	57833
Wages (Manufacturing)	53129
Salaries and Commission	1263
Directors' Fees	2000
Bad Debts	1106
Repairs	2182
Freehold Land & Buildings	26782
Dr. Balances continued—	
Loose Tools	£8001
Advertising	2190
Office Expenses	208
Interest on Loans	161
Cash at Bank and in hand	37
Cr. Balances—	
4500 Pref. Shares fully paid	45000
22340 Ord. Shares, 15/- paid	16980
32000 Ord. Shares (Vendors) fully paid	32000
Loans from Sundry Persons	930
Repairs Equalisation Reserve	2648
Sales	107866
Bank Loan	3400
Bills Payable	11429
Sundry Trade Creditors	18176
Transfer Fees	17
Bad Debts Res., 1st Feb., 1909	807
P. & L. A/c., 1st Feb., 1909	37

Answer.—*Gross* £2041; *Net Loss* £6664; *Total B/S.* £127601.

Exercise 65. (*Society of Arts, Intermediate, 1910.*)

Q. 1. State what is meant by the terms (*a*) "Nominal Accounts" and (*b*) "Personal Accounts." What is the name of the class to which A/cs. other than the foregoing may be said to belong? Give an example of each (containing three debit and three credit entries).
Q. 2. How would you construct a "Trial Balance?" Give two examples of errors which might occur in "writing up" a set of books, without affecting the "agreement" of the Trial Balance.

Ex. 1. A. Day and B. Comet were equal in capital and partnership as engineers and founders, and, on 31st Dec., 1909, their position was as follows:—

Assets.		
Stock-in-trade		£1342
Furniture & Fittings		264
Plant & Machinery		1547
Cash at Bank		305
Cash in hand		8
Bills Receivable due 1909:—		
The Gas Engine Co., due 4th Jan.	£142	
J. Smith & Co., due 8th Jan.	74	
		216
Owing by:- J. Smith & Co.	172	
The Gas Engine Co.	22	
W. Owen	177	
J. Jones & Sons	285	
R. Black	162	
		818

Liabilities.		
Due to:—Roberts Bros.	£311	
W. Brown, Son & Co.	140	
Robinson & Co.	113	
J. Green & Son	156	
		£720
Bills Payable due 1909:—		
J. Green & Son, due 6th Jan.	100	
Roberts Bros., due 1st Feb.	169	
		269
A. Day Loan A/c.		500
A. Day Interest A/c.		11

Open Ledger A/cs., showing position of firm on 31st Dec., 1909, and pass to it, through the proper books, the following; balance the A/cs. as on 10th Jan., 1910, bring down the balances and extract a T.B. *All moneys received were at once paid into the Bank.*

Jan. 1. Drew and cashed cheque for petty cash and wages £15.
Paid wages in cash £16.
Paid each partner his week's salary of £3 in cash.

,, 3. W. Owen paid his a/c., less 2½% dis., and gave an order for a machine to cost £75.
Bought of Robinson & Co., 6 tons of pig iron at 51s. 2d. per ton.

,, 4. The Gas Engine Co.'s Bill became due, but was not met. A new Bill was given at one month for the whole of their a/c.
Paid Robinson & Co., the amount of their a/c. as on 31st Dec., less 2½% dis., after taking into consideration an allowance of £5 for imperfect goods supplied.

,, 5. J. Jones & Sons paid £100 on a/c.
Bought of J. Green & Son 5 cwt. of sheet copper at £78 per ton.

Jan. 6. Sold R. Biack 1 ton of pig iron at 56s. a ton, and charged him in addition 10s. for cartage.
J. Green & Son's Bill became due and was duly met.
,, 7. Sold J. Jones & Sons 3 cutting machines at £24 each.
Sold J. Smith & Co. 2 cwt. of sheet copper at £83 a ton.
Paid by cheque the amount due (on 31st Dec., 1909) to A. Day for Interest.
Bought for cash 12 gallons of oil at 1s. 3d. per gallon.
,, 8. Paid wages £13, a cheque for this amount being drawn and cashed for the purpose.
Paid each partner his week's salary by cheque.
J. Smith & Co.'s Bill became due and was duly met.
,, 10. Bought of Roberts Bros. 10 tons of coal at 12s. a ton, and paid them (by cheque) £150 on a/c.
Sundry Cash Sales to date £31.
Drew and cashed cheque of £5 for Petty Cash purposes.
Accepted W. Brown, Son & Co.'s Bill for £140 at 3 mos.

Ex. 2. The Brown Box Co., Ltd., had a Nominal Capital of £10000, divided into 5000 Ordy. Shares of £1 each and 5000 6% Pref. Shares of £1 each. Prepare Trading and P. & L. A/cs. and B/S. for the year ended 31st Dec., 1909. Depreciation: Land and Buildings 2½% per ann, Furniture & Fixtures 5% per ann., Plant & Machinery 10% per ann. Make the Bad Debt Reserve up to £400. Carry forward the following unexpired amounts:—Insurance £9 7 6, Rates & Taxes £17 8 2. **Stock,** 31st Dec., 1909, £1721 17 3.

Dr. Balances—				**Dr. Balances** continued—			
Freehold Land & Buildings	£3700	-	-	Directors' Fees	£50	-	-
Furniture & Fixtures	946	6	10	Purchases	4129	16	8
Stock, 31st Dec., 1908	1929	14	7	Sundry Debtors	3764	17	10
Plant & Machinery	1727	10	2	Bank Charges	10	2	1
Rates & Taxes	87	14	1	Cash at Bank	822	5	7
Carriage	422	4	8	Cash in hand	63	2	1
Trade Expenses	39	1	1				
Lighting & Heating Exs.	72	2	6	**Cr. Balances—**			
General Expenses	127	16	10	Ordinary Share Capital	4800	-	-
Pref. Share Dividend (paid during the year)	171	-	-	Preference Share Capital	3000	-	-
				Discount A/c. (balance)	13	2	-
Ordy. Share Dividend (paid during the year)	114	-	-	Bad Debts Res., 31 Dec., 08	188	14	8
				Sales	10124	14	2
Manufacturing Wages	2014	1	9	Purchases Returns	94	12	4
Salaries	505	14	8	Sundry Creditors	2144	5	1
Sales Returns	101	2	10	P. & L. A/c. (Balance 31st Dec., 1908)	472	7	2
Insurance	39	1	2				

Answer.—*Gross Profit* £3344 3 3; *Net Profit* £1928 11 10; *Total B/S.* £12060 4 1.

SOCIETY OF ARTS. Accounting & Banking, 1905.

1. To what class of enterprise does the system of Book-keeping known as the "Double Account" system apply? Briefly explain its distinctive features as compared with the "Single A/c." system.

2. Give a set of rulings suitable for the various books necessary to record the particulars and figures relating to the Share Capital of a Limited Co. from the first application for shares by the public to the final records of shares when fully paid, including transfers.

3. The following Ledger A/cs. appear in the T.B. of a Co. State how you would deal with the items in preparing the annual a/cs., and briefly comment on any points which would need special consideration:—(*a*) Goodwill A/c. (*b*) Repairs Reserve A/c. (*c*) Unclaimed Dividends A/c. (*d*) Debenture Issue Expenses A/c. (*e*) Preliminary Expenses A/c. (*f*) Expenditure during the year on the Co.'s Leasehold Works A/c. (*g*) Forfeited Shares A/c. (amount of cash received on forfeited shares).

4. Adjust for Income Tax (Schedule D) purposes the P. & L. A/c. of Messrs. Robert Sawyer & Son, Timber Merchants, set out below, and show the amount assessable for tax. The profits for the years 1902 and 1903, upon which tax was payable, were agreed with the Inland Revenue Surveyor, at £2304 and £1858 respectively. Gross Profit from Trading A/c., 31st December, 1904, £5430; Salaries £920; Bad Debts £425; Int. on Cap. at 5%, £1050; Income Tax £56; Depreciation on Plant at 10% £780; Loss through Cashier's Embezzlement £108; Res. for Bad Debts £870, *Less* Res. 31st December, 1903, £720; Annuity to G. Sawyer £350; Profit for the year c/d. £1591.

5. How should the following cheques be dealt with by the receiving banker: (*a*) Undated cheques; (*b*) cheque presented after notice of the drawer's death has been received; (*c*) cheque dated 6 months prior to presentation; (*d*) cheque dated on a Sunday.

6. The Blank Manufacturing Co., Ltd., desire to open an a/c. with the Bank of London, Ltd. Describe the formalities required in opening the a/c. **7.** State three different classes of securities accepted by bankers against advances to customers, and briefly describe the formalities necessary in each case between the parties when the loan is effected. **8.** Describe a Bill of Exchange. How and when is a bill noted and with what object?

SOCIETY OF ARTS. Accounting & Banking, 1906.

1. The Steadfast Assurance Co., Ltd., was registered in 1900, and during that year the whole of the Share Capital (consisting of 100000 shares of £1 each) was paid up in full. Submit *pro forma* accounts for the year ended 31st Dec., 1905, in accordance with the provisions of the Life Assurance Companies' Act (1870), and point out wherein the form of the prescribed a/cs. varies from that usually employed by Companies registered under the Companies' Acts, 1862-1900.

2. Is the P. & L. A/c., as set out below, properly drawn up? If not, submit the a/c. as you would present it.

PROFIT & LOSS Account, 31st December, 1905.

To Salaries		£820	By Stock	£18200	
,, Depreciation		1401	*Less* 1st Jan., 1905...	17400	800
,, Purchases		42600			
,, Returns		362	,, Int. on Investments	3400	
,, Discounts		421	*Less* Loss on Sale of Investments	900	2500
,, Dividend Paid		3842			
,, Directors' Fees		1000	,, Balance from last year's a/c.		4321
,, Trade Expenses		1200	,, Sales		59940
,, Dividend (5% for year 1905)		6200	,, Error in Books		120
,, Manufacturing Wages		3280	,, Unclaimed Dividends		321
,, Transfer to Reserve A/c.		4000			
,, Balance carried to B/S.		2876			

3. The Turbine Steamer Co., Ltd., owns a fleet of 14 steamers trading to the Eastern seas. These boats are at present insured in the ordinary way at Lloyds; but the Company desires to effect its own insurance for the future. Explain briefly what steps should be taken to inaugurate an internal marine insurance fund, and state what entries should appear in the books and annual accounts of the Co. when the fund was in operation. **4.** Describe briefly the difference in the method of recording and presenting the Capital A/c. of an ordinary Commercial Limited Company, whose a/cs. are kept upon the "Single A/c." system as compared with a Company working under a special Act of Parliament, whose a/cs. are necessarily kept upon the "Double A/c." system. Give a *pro forma* Capital A/c. of an enterprise working under the latter system. **5.** Describe briefly the course of action which is usually followed by Bankers with regard to funds in their hands:—(*a*) In the case of a deceased customer who left a will. (*b*) In the case of a deceased customer who did not leave a will.

6. State whether the undermentioned endorsements of cheques are in order; and if, in your opinion, irregular, explain in what way they should be amended.

(*a*) A cheque drawn in favour of "James Smith or Order" is endorsed,
his
"James **X** Smith."
mark.

(*b*) A cheque drawn in favour of "Robert Radborn, Liquidator of the Hawk Motor Co., Ltd., or Order" is endorsed "Robert Radborn."

(*c*) A cheque drawn in favour of "George Good & Sons or Order" is endorsed "George Good & Sons, A.R.C."

(*d*) A cheque drawn in favour of "Mr. Walter Long's Executors or Order" is endorsed "per pro Walter Long's Executors, Geo R. Long."

7. Is it absolutely necessary to note and protest a B/E. in case of dishonour? State briefly the legal object of noting a B/E. **8.** A.B. desires to borrow £500 from his Bankers who undertake to advance this sum upon the security of A.B.'s Life Policy for £1000 (whole life without profits) in the Established Assurance Company. State the grounds upon which the Bankers would consent to make such advance, and what steps must be taken to carry out the transaction efficiently.

SOCIETY OF ARTS. Accounting & Banking, 1907.

1. Robert Coe & Sons, Ltd., having brought out a patent article, sent samples to all their customers on "sale or return." Customers keeping the goods were to be entitled to a discount of 20% if paid for in one month. The samples were passed, at the full list price, to the debit of the customers and to the credit of the "Sales A/c." How would you deal with these transactions when preparing the Company's Annual A/cs.?

2. The P. & L. A/c. of William White showed a credit balance of £2040 for the year ended 31st Dec., 1906, as compared with £1850 for 1905, and £3210 for 1904. These profits were arrived at after debiting the following items :—

	1904.	1905.	1906.
White's Salary (Paid weekly through the Salaries A/c.)	250	250	250
Interest on Capital at 5%	152	175	181
Sinking Fund, for replacement of Engine	100	100	100
Subscription to King's Hospital Fund.....	10	10	10
Employers' Liability Insurance	50	52	54

White also owns house property of the gross value of £800 per annum subject to ground rents of £150 per ann. The property is mortgaged for £2000 at 4½% per ann. He also holds £1000 Great Eastern Ry. Consolidated 4% Pref. Stock, and £2500 Henry Tate & Sons 4½% Debenture Stock. Make out White's Income Tax Return for 1907-8.

3. Messrs. Clarke, Ellis & Co., are a firm of London Manufacturers, whose chief business is in England. They have, however, a considerable business with South American buyers, and invoice goods to them in local currency and accept payment by bills in the same currency. How would you record the South American transactions in the books of the firm.

4. Select, in the case of each of the undermentioned undertakings, an asset which you would expect to find in the Balance Sheet of a Company of that kind, and which is to a large extent peculiar to it. Briefly describe how such assets should be treated, (*a*) as to valuation, (*b*) as to depreciation, when preparing the Company's Annual A/cs. :—(*1*) Brewery. (*2*) Bank. (*3*) Colliery.

5. What do you understand by the term "Currency?" Briefly describe the principal functions and attributes of money.

6. Mr. Chitty writes to his Bankers as follows :—*1 April, 1907.*

The Managers,
The Stedfast Bank, Ltd., Cornhill, E.C.

Dear Sirs. Please purchase for me the undermentioned shares.
Yours faithfully, Joseph Chitty.

J.C.—100 Preference Shares Debenhams, Ltd.
J.C.—100 Ordinary Shares Aerated Bread Co., Ltd.

Is the above letter a sufficient authority to the Bankers to purchase the shares and to debit the cost of the same to Mr. Chitty's A/c. with the Bank?

7. Explain the difference, if any, between limited and unlimited legal tender. What constitutes legal tender in England?

8. Explain the undermentioned terms as applied to cheques; and briefly describe the duties and responsibilities of Bankers with regard to cheques so marked:—(*1*) "Out of date." (*2*) "Not Negotiable." (*3*) "Crossed to two Bankers." (*4*) "Drawer deceased." (*5*) "Effects not cleared."

SOCIETY OF ARTS. Accounting & Banking, 1908.

1. The Companies' Act, 1907, enacts that every Public Limited Company shall file annually with the Registrar of Joint Stock Companies (with the "Summary" under Section 26 of the Companies' Act, 1862), a Statement, in the form of a B/S., audited by the Company's Auditor, containing a summary of its capital, liabilities and assets; and giving such particulars as will disclose the general nature of such liabilities and assets, and how the values of the fixed assets have been arrived at. Submit a *pro forma* Statement, conforming with the above requirements.

2. In closing the books of a manufacturing firm, how would you arrive at the amount representing the value of "work in progress?" How would such an item be treated in the annual a/cs.?

3. A. & B. are in partnership and share profits as follows:—A., 2/3rds; B., 1/3rd. The results of the trading of the firm, as shown by the P. & L. A/cs., for the past three years were respectively:—1905, a profit of £4800; 1906 a loss of £350; and 1907, a profit of £5400. Prepare a Return for Assessment of Income Tax under Schedule D for the current year. Before arriving at the profits, the following items had been charged in the a/cs. of the firm:—

	1905	1906	1907
Transfer to Reserve Account	£200	nil	£250
Ground Rent (less Tax)	30	£30	30
Income Tax, Schedule A	10	10	10
" " " D	200	200	190
Banker's Interest	32	61	15
Written off Goodwill	100	nil	200
Pension to late Cashier	60	60	60

4. B. J. R. & Co., are the owners of a business, working upon the multiple shop system. No branch is allowed to purchase any stock, and can only make payments in cash through their petty cash account, which is replenished weekly upon the "imprest system." All receipts are paid daily into the local bank, upon which the Head Office alone can draw. Upon what basis should goods be stocked out to the branches? Explain briefly the records which the Head Office books would show in the cash of each branch.

5. What is the proper endorsement for the following cheque, Mr. Andrew Smith being an illiterate person:—

Medchester, 1st January, 1908.

To the Bank of Medchester, Limited.

Pay Mr. Andrew Smith ..... or order
Twenty Pounds.
£20 0 0

James Jones & Co.

6. Briefly state the relations which the Bank of England has to the banking world, the government, and the general public.

7. What is a letter of credit? If the grantee of a letter of credit fraudulently increases the amount for which such letter is issued, what is the liability (if any) of a person negotiating, in good faith, a draft, drawn under such a document, for a larger amount than the original letter of credit was issued for?

8. Are the following endorsements in order? If not, what are the Banker's duties and responsibilities with regard to them? (*a*) A cheque payable to Richard Yea or Order was endorsed:—"Jacob Oppenheim, Richard Yea's Sole Executor." (*b*) A cheque payable to the Holme Parish Council was endorsed:—

"A. H. Barrow, Clerk to the Holme Parish Council." (*c*) A cheque payable to Mr. Alfred Hunt or Order was endorsed :—"Mary Hunt, Widow of A. Hunt." (*d*) A cheque payable to John Jenkins, Esq., or Order was endorsed :—"per pro. J. Jenkins, Wm. Watkins."

SOCIETY OF ARTS. Accounting & Banking, 1909.

1. How would you deal with the undermentioned items when preparing the annual a/cs. of a Company :—(*a*) Premiums received on an issue of Debentures. (*b*) A Policy on the life of A.B. for £5000 (payable at death without profits), taken over against a bad debt of £6000. A.B. is 70 next birthday, and the annual premium on the policy amounts to £130. (*c*) A new cigarette-making machine invoiced at £750, from which an allowance of £300 was subsequently made in consideration of the machine being exhibited in daily use at the Company's Stand at the Franco-British Exhibition.

2. Outline briefly, with sketches, any system of entering and checking the stores used in a manufacturing business with which you are familiar, and of which you approve.

3. Give a *pro formâ* example of a Capital receipts and expenditure a/c. under the double account system. State briefly how depreciation can be provided for under this system of accounting.

4. Criticise the following Trading and P. & L. A/c. and B/S. ; and draw them as you would present them to the shareholders of the Company at the Annual Meeting, giving *pro formâ* figures for any items you think should be inserted :—

The Patent Mixtures Company, Limited.

Trading & Profit & Loss Account

Dr. for the year ended August 31st, 1908. **Cr.**

To Stock on hand	£5321	By Goods sold	£5571
Less Plant.....	2108	Additions to Plant	180
	£3213	Stock in hand	4153
Goods bought	5130	Balance to Balance Sheet	514
Wages	915		
Carriage	55		
Branch Wages and Expenses ..	312		
Bad Debts	210		
Rent, Rates and Insurance... ..	319		
Trade charges	264		
	£10418		£10418

Balance Sheet.

Liabilities.		Assets.	
Share Capital	£5433	Sundry Debtors	£2890
X. Y. Z.	1509	Plant and Machinery	2265
Bankers	769	Stock in hand	4153
Sundry Creditors	2114	Cash in hand	8
		Balance	514
	£9825		£9825

5. On 26th Jan., 1909, the Loamshire Bank obtained knowledge of an "Act of Bankruptcy" committed by their customer, Herbert Hodges. Two days afterwards (28th Jan.) three cheques drawn by Hodges were presented for payment and duly honoured by the bank. What is the position and responsibility of the bank with reference to these cheques ?

6. Give illustrations of three different methods of crossing cheques and briefly explain the effect and advantage of each crossing. Is a Banker under any liability if he disregards the instruction "A/c. Payee only" as appearing as a crossing on a cheque ?

7. On 25th Jan., 1909, John Smith called at the Union Bank of London and paid in the following :—Gold £25 ; Bank of England Notes £50 ; Cheque drawn on the Old Bank, York £62 ; Cheque drawn on the Joint Stock Bank, Princess Street, E.C. £41. Trace the history of the above items as they would appear in the books of the Union Bank of London.

8. Explain the difference (if any) between :—(*a*) A general acceptance of a B/E. (*b*) A qualified acceptance of a B/E. Give an example of each to illustrate your answer.

SOCIETY OF ARTS. Accounting & Banking, 1910.

1. What is a "Secret Reserve?" Give two examples showing how a Bank or other "Financial House" could create a "Secret Reserve."

2. Explain briefly, by means of *pro formâ* examples, how "Royalties" and "Shortworkings," arising out of a mining lease, are dealt with in the books of the lessee of a colliery.

3. Robert Laws has been surcharged by the Surveyor of Taxes with the undermentioned items in reference to his assessment under Schedule (D) :—(*a*) 5% depreciation only, instead of the 10% claimed, has been allowed ; (*b*) Interest on loan from J. Smithers disallowed ; (*c*) Cost of removing offices to new building disallowed ; (*d*) Subscription to local hospital disallowed. Has Laws any right of appeal against these surcharges? If so, what course is open to him, and what chance of success has he in respect of the above items?

4. The Alpha Printing Co., Ltd., issued 10000 6% Cumulative Preference Shares of £1 each in Jan., 1904. Up to and including the year ended 31st Dec., 1906, the Preference Dividends were duly paid. Since that date the profits have been insufficient, and nothing has therefore been paid to the Preference Shareholders. Does this fact need record in the books or annual a/cs. of the Company? If so, how would you record the same?

5. The officials of the Share Gunpowder Co., Ltd., are as follows :—Directors R. Edwards (Chairman), George Hughes, Frederick Gee, and R. B. Burbridge ; Secretary : R. H. Woodside ; Bankers : London & County Banking Co., Ltd. The Company owe £142 10 2 to Robert Chambers. Draw a cheque in settlement of this amount having due regard to the prevention of fraud, and to the necessity for safeguarding the personal liability of the signatories.

6. What is a "Documentary Bill?" Give an example, and briefly describe the documents you would expect to find attached thereto.

7. Give three examples of "special crossings" in common use in connection with cheques. Explain, in each case, the manner in which the negotiability of the cheque is restricted by the crossings you give.

8. A. B. obtains his Pass Book from his Bankers, in which the position of his a/c. on that day is shown by an entry of the balance. He returns the Pass Book to the Bank without objection to any of the entries in it. It is subsequently discovered that one of the items debited to him represents a cheque presented by his Cashier and cashed, the Cashier having forged A. B.'s signature to the cheque. Who is liable to make good the amount of the cheque so forged? Does the return of the Pass Book without comment make A. B. liable? Has A. B. to take any precautions to prevent such a forgery taking place ; and if so, what?

MEMORANDUM OF ASSOCIATION

OF THE

AFRICAN OIL COMPANY, LIMITED.

1. The name of the Company is "THE AFRICAN OIL COMPANY, LIMITED."
2. The Registered Office of the Company will be situate in England.
3. The objects for which the Company is established are:—

(A) To purchase, take on lease, or otherwise acquire, all real property, believed to contain petroleum or oil sources, and all wells and appliances utilised to raise petroleum in all countries, and especially rights relating to real property, land and material and appliances; and to enter into and carry into effect the agreement, draft of which is referred to in Article 2 of the Articles of Association of the Company, with such modifications as may be hereafter agreed upon.

(B) To search for, to extract, and to procure in all countries, and particularly in the Orange River Colony, petroleum and other oil products, mineral oils and matters resolved therefrom, and to treat, work, export, purchase, sell, and trade in the same, and to work all factories, manufactories, refineries, distilleries, and to undertake, work and develop in all countries every description of undertakings relating to mines and minerals, to seek for, to prospect, to make soundings, to explore, and to sink wells, and to purchase and otherwise acquire, work, develop, sell, dispose of, and realise all petroleum workings, concessions, and enterprises connected therewith and undertake all commercial mining, metallurgical, and other operations relating thereto, or other business calculated to render more profitable the operations of the Company.

(C) To purchase, take on lease or in exchange, hire or otherwise acquire and hold for any estate or interest, any lands, buildings, easements, rights, privileges, concessions, machinery, patents, plant, stock-in-trade, and any real and personal property of any kind necessary or convenient for the Company's business.

(D) To erect, construct, lay down, enlarge, alter and maintain any buildings, works and machinery necessary or convenient for the Company's business.

(E) To borrow or raise or secure the payment of money for the purpose of the Company's business, and with a view thereto to mortgage and charge the undertaking and all or any of the real and personal property, present or future, and all or any of the uncalled capital for the time being of the Company, and to issue at par or at a premium or discount debentures or debenture stock, payable to bearer or otherwise, and either permanent or redeemable, and collaterally or further to secure any securities of the Company by a trust deed or other assurance.

(F) To issue and deposit any securities which the Company has power to issue by way of mortgage to secure any sum less than the nominal amount of such securities and also by way of security for the performance of any contracts or obligations of the Company.

(G) To receive money on deposit or loan upon such terms as the Company may approve, and to guarantee the debts and contracts of customers and others.

(H) To make advances to customers and others with or without security, and upon such terms as the Company may approve, and generally to act as bankers for customers and others.

(I) To make, accept, endorse and execute promissory notes, bills of exchange and other negotiable instruments.

(J) To invest and deal with the moneys of the Company not immediately required upon such securities and in such manner as may from time to time be determined.

(K) To pay for any property or rights acquired by the Company, either in cash or shares, with or without preferred or deferred rights in respect of dividend or repayment of capital or otherwise, or by any securities which the Company has power to issue, or partly in one mode and partly in another, and generally on such terms as the Company may determine.

(L) To remunerate any person or company for services rendered, or to be rendered, in placing, or assisting to place, any of the shares or debenture capital or other securities of the Company, in or about the formation or promotion of the Company or the conduct of its business.

(M) To accept payment for any property or rights sold or otherwise disposed of or dealt with by the Company, either in cash, by instalments, or otherwise, or in shares

of any company or corporation, with or without deferred or preferred rights in respect of dividend or repayment of capital or otherwise, or by means of a mortgage or by debentures or debenture stock of any company or corporation, or partly in one mode and partly in another, and generally on such terms as the Company may determine.

(N) To enter into partnership or any arrangement for sharing profits, union of interests or co-operation with any company, firm or person carrying on, or proposing to carry on, any business within the objects of this Company, and to acquire and hold shares, stock or securities of any such company.

(O) To establish or promote, or concur in establishing or promoting, any other company whose objects shall include the acquisition and taking over of all or any of the assets and liabilities of or shall be in any manner calculated to advance directly or indirectly the objects or interests of this Company, and to acquire and hold shares, stocks or securities of and guarantee the payment of any securities issued by or any other obligation of any such company.

(P) To purchase or otherwise acquire and undertake all or any part of the business property and transactions of any person or company carrying on any business which this Company is authorised to carry on, or possessed of property suitable for the purposes of this Company.

(Q) To sell, improve, manage, develop, turn to account, exchange, let on rent, royalty, share of profits or otherwise, grant licenses, easements and other rights in respect of, and in any other manner deal with or dispose of the undertaking of the Company or any part thereof, or all or any of the property for the time being of the Company, and for any consideration, whether in cash or in shares (fully or partly paid), debentures, debenture stock, or other interests in or securities of any company or otherwise.

(R) To amalgamate with any other company whose objects are or include objects similar to those of this Company, whether by sale or purchase (for fully or partly paid shares or otherwise) of the undertaking, subject to the liabilities of this or any such other company as aforesaid with or without winding up or by purchase (for fully or partly paid shares or otherwise) of all the shares or stock of any such other company, or in any other manner.

(S) To distribute among the members in specie any property of the Company.

(T) To procure the Company to be registered or recognised in any Colony or Dependency, and in any foreign country or place.

(U) To do all or any of the above things in any part of the world, and either as principals, agents, trustees, contractors or otherwise, and either alone or in conjunction with others, and either by or through agents, sub-contractors, trustees or otherwise, and to do all such other things as are incidental to or conducive to the above objects or any of them.

(4) The liability of the members is limited.

(5) The share capital of the Company is £100,000, divided into 100,000 ordinary shares of £1 each.

WE, the several persons whose Names and Addresses are subscribed, are desirous of being formed into a Company, in pursuance of this Memorandum of Association, and we respectively agree to take the number of Shares in the Capital of the Company set opposite our respective names.

NAMES, ADDRESSES, AND DESCRIPTIONS OF SUBSCRIBERS.	Number of Ordinary Shares taken by each Subscriber.
G. T. PRETYMAN, Barrow Lodge, Bury St. Edmunds, Major-General.	250
LEWIS LEVY, Borden Hall, Kent, Barrister-at-Law.	250
W. MAITLAND EDWARDS, 20, Copthall Avenue, E.C., Merchant.	250
H. PYNEGAR, 5, Dowgate Hill, E.C., Engineer.	250
NEIL MACKINNON, 5, Dowgate Hill, E.C., Engineer.	250
FRANK SMITH, 1, Drapers Gardens, E.C., Member Stock Exchange	250
J. LEWIS LEWIS, Twyfordbury, Beckenham, Kent, No occupation.	250

Dated this 27th day of April, 1910.

Witness to the above Signatures—

SYDNEY THOMPSON,
3, East India Avenue, London, E.C.,
Solicitor.

TABLE A:

Being the Statutory Regulations for the Management of Companies Limited by Shares and Registered without Special Articles comprised in the First Schedule to The Companies (Consolidation) Act, 1908.

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1. Preliminary. In these regulations, unless the context otherwise requires, expressions defined in The Companies (Consolidation) Act, 1908, or any statutory modification thereof in force at the date at which these Regulations become binding on the Company, shall have the meanings so defined; and words importing the singular shall include the plural, and *vice versâ*, and words importing the masculine gender shall include females, and words importing persons shall include bodies corporate.

2. Business. The Directors shall have regard to the restrictions on the commencement of business imposed by Section 87 of The Companies (Consolidation) Act, 1908, if, and so far as, those restrictions are binding upon the Company.

3. Shares. Subject to the provisions, if any, in that behalf of the Memorandum of Association of the Company, and without prejudice to any special rights previously conferred on the holders of existing Shares in the Company, any Share in the Company may be issued with such preferred, deferred, or other special rights, or such restrictions, whether in regard to Dividend, voting, return of Share Capital, or otherwise, as the Company may from time to time by Special Resolution determine.

4. If at any time the Share Capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may be varied with the consent in writing of the holders of three fourths of the issued Shares of that class, or with the sanction of an Extraordinary Resolution passed at a separate General Meeting of the holders of the Shares of the class. To every such separate General Meeting the provisions of these Regulations relating to General Meetings shall *mutatis mutandis* apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one third of the issued Shares of the class.

5. No Share shall be offered to the public for subscription except upon the terms that the amount payable on application shall be at least Five per cent. of the nominal amount of the Share; and the Directors shall, as regards any allotment of Shares, duly comply with such of the provisions of Sections 85 and 88 of The Companies (Consolidation) Act, 1908, as may be applicable thereto.

6. Every person whose name is entered as a Member in the Register of Members shall, without payment, be entitled to a Certificate under the Common Seal of the Company specifying the Share or Shares held by him and the amount paid up thereon, provided that in respect of a Share or Shares held jointly by several

persons the Company shall not be bound to issue more than one Certificate, and delivery of a Certificate for a Share to one of several joint holders shall be sufficient delivery to all.

7. If a Share Certificate is defaced, lost, or destroyed, it may be renewed on payment of such fee, if any, not exceeding One Shilling, and on such terms, if any, as to evidence and indemnity as the Directors think fit.

8. No part of the funds of the Company shall be employed in the purchase of, or in loans upon the security of, the Company's Shares.

9. Lien. The Company shall have a lien on every Share (not being a fully paid Share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of that Share, and the Company shall also have a lien on all Shares (other than fully paid Shares standing registered in the name of a single person for all moneys presently payable by him or his estate to the Company; but the Directors may at any time declare any Share to be wholly or in part exempt from the provisions of this Clause. The Company's lien, if any, on a Share shall extend to all Dividends payable thereon.

10. The Company may sell, in such manner as the Directors think fit, any Shares on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists, is presently payable, nor until the expiration of fourteen days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the Share, or the person entitled by reason of his death or bankruptcy to the Share.

11. The proceeds of the sale shall be applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue shall (subject to a like lien for sums not presently payable as existed upon the Shares prior to the sale) be paid to the person entitled to the Shares at the date of the sale. The purchaser shall be registered as the holder of the Shares, and he shall not be bound to see to the application of the purchase money, nor shall his title to the Shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

12. Calls on Shares. The Directors may from time to time make Calls upon the Members in respect of any moneys unpaid on their Shares, provided that no Call shall exceed one fourth of the nominal amount of the Share, or be payable at less than one month from the last Call; and each Member shall (subject to receiving at least fourteen days' notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on his Shares.

13. The joint holders of a Share shall be jointly and severally liable to pay all Calls in respect thereof.

14. If a sum called in respect of a Share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest upon the sum at the rate of Five Pounds per cent. per annum from the day appointed for the payment thereof to the time of the actual payment, but the Directors shall be at liberty to waive payment of that interest wholly or in part.

15. The provisions of these Regulations as to payment of interest shall apply in the case of non-payment of any sum which, by the terms of issue of a Share, becomes payable at a fixed time, whether on account of the amount of the Share, or by way of premium, as if the same had become payable by virtue of a Call duly made and notified.

16. The Directors may make arrangements on the issue of Shares for a difference between the holders in the amount of Calls to be paid and in the times of payment.

17. The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon any Shares held by him; and upon all or any of the moneys so advanced may (until the same would, but for such advance, become presently payable) pay interest at such rate (not exceeding, without the sanction of the Company in General Meeting, Six per cent.) as may be agreed upon between the Member paying the sum in advance and the Directors.

18. Transfer and Transmission of Shares. The instrument of transfer of any Share in the Company shall be executed both by the transferor and transferee, and the transferor shall be deemed to remain a holder of the Share until the name of the transferee is entered in the Register of Members in respect thereof.

19. Shares in the Company shall be transferred in the following form, or in any usual or common form which the Directors shall approve:

I, *A. B.* of in consideration of the sum of Pounds paid to me by *C. D.* of (hereinafter called "the said transferee") do hereby transfer to the said transferee the Share [*or* Shares] numbered in the undertaking called the COMPANY, LIMITED, to hold unto the said transferee, his executors, administrators, and assigns, subject to the several conditions on which I held the same at the time of the execution thereof: and I, the said transferee, do hereby agree to take the said Share [*or* Shares] subject to the conditions aforesaid.

As witness our hands the day of .

Witness to the signatures of, &c.

20. The Directors may decline to register any transfer of Shares, not being fully paid Shares, to a person of whom they do not approve, and may also decline to register any transfer of Shares on which the Company has a lien. The Directors may also suspend the registration of transfers during the fourteen days immediately preceding the Ordinary General Meeting in each year. The Directors may decline to recognise any instrument of transfer

unless (*a*) a fee not exceeding Two Shillings and Sixpence is paid to the Company in respect thereof, and (*b*) the instrument of transfer is accompanied by the Certificate of the Shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

21. The executors or administrators of a deceased sole holder of a Share shall be the only persons recognised by the Company as having any title to the Share. In the case of a Share registered in the names of two or more holders, the survivors or survivor, or the executors or administrators of the deceased survivor, shall be the only persons recognised by the Company as having any title to the Share.

22. Any person becoming entitled to a Share in consequence of the death or bankruptcy of a Member shall, upon such evidence being produced as may from time to time be required by the Directors, have the right, either to be registered as a Member in respect of the Share or, instead of being registered himself, to make such transfer of the Share as the deceased or bankrupt person could have made; but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share by the deceased or bankrupt person before the death or bankruptcy.

23. A person becoming entitled to a Share by reason of the death or bankruptcy of the holder shall be entitled to the same Dividends and other advantages to which he would be entitled if he were the registered holder of the Share, except that he shall not, before being registered as a Member in respect of the Share, be entitled in respect of it to exercise any right conferred by Membership in relation to Meetings of the Company.

24. Forfeiture of Shares. If a Member fails to pay any Call or instalment of a Call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of such Call or instalment remains unpaid, serve a notice on him requiring payment of so much of the Call or instalment as is unpaid, together with any interest which may have accrued.

25. The notice shall name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed the Shares in respect of which the Call was made will be liable to be forfeited.

26. If the requirements of any such notice as aforesaid are not complied with, any Share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect.

27. A forfeited Share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.

28. A person whose Shares have been forfeited shall cease to be a Member in respect of the forfeited Shares, but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were presently payable by him to the Company in respect of the Shares, but his liability shall cease if and when the Company receive payment in full of the nominal amount of the Shares.

29. A statutory declaration in writing that the declarant is a Director of the Company, and that a Share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share, and that declaration, and the receipt of the Company for the consideration, if any, given for the Share on the sale or disposition thereof shall constitute a good title to the Share, and the person to whom the Share is sold or disposed of shall be registered as the holder of the Share and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the Share.

30. The provisions of these Regulations as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a Share, becomes payable at a fixed time, whether on account of the amount of the Share, or by way of premium, as if the same had been payable by virtue of a Call duly made and notified.

31. Conversion of Shares into Stock. The Directors may, with the sanction of the Company previously given in General Meeting, convert any paid-up Shares into Stock, and may with the like sanction reconvert any Stock into paid-up Shares of any denomination.

32. The holders of Stock may transfer the same, or any part thereof, in the same manner, and subject to the same regulations, as, and subject to which, the Shares from which the Stock arose might previously to conversion have been transferred, or as near thereto as circumstances admit; but the Directors may from time to time fix the minimum amount of Stock transferable, and restrict or forbid the transfer of fractions of that minimum, but the minimum shall not exceed the nominal amount of the Shares from which the Stock arose.

33. The holders of Stock shall, according to the amount of the Stock held by them, have the same rights, privileges, and advantages as regards Dividends, voting at Meetings of the Company, and other matters as if they held the Shares from which the Stock arose, but no such privilege or advantage (except participation in the Dividends and profits of the Company) shall be conferred by any such aliquot part of Stock as would not, if existing in Shares, have conferred that privilege or advantage.

34. Such of the regulations of the Company (other than those relating to Share Warrants) as are applicable to paid-up Shares shall apply to Stock, and the words "Share" and "Shareholder" therein shall include "Stock" and "Stockholder."

35. Share Warrants. The Company may issue Share Warrants, and accordingly the Directors may in their discretion, with respect to any Share which is fully paid up, on application in writing signed by the person registered as holder of the Share, and authenticated by such evidence, if any, as the Directors may from time to time require as to the identity of the person signing the request, and on receiving the Certificate, if any, of the Share, and the amount of the stamp duty on the Warrant and such fee as the Directors may from time to time require, issue under the Company's Seal a Warrant, duly stamped, stating that the Bearer of the Warrant is entitled to the Shares therein specified, and may provide by Coupons, or otherwise for the payment of Dividends, or other moneys, on the Shares included in the Warrant.

36. A Share Warrant shall entitle the Bearer to the Shares included in it, and the Shares shall be transferred by the delivery of the Share Warrant, and the provisions of the regulations of the Company with respect to transfer and transmission of Shares shall not apply thereto.

37. The Bearer of a Share Warrant shall, on surrender of the Warrant to the Company for cancellation, and on payment of such sum as the Directors may from time to time prescribe, be entitled to have his name entered as a Member in the Register of Members in respect of the Shares included in the Warrant.

38. The Bearer of a Share Warrant may at any time deposit the Warrant at the Office of the Company, and so long as the Warrant remains so deposited the depositor shall have the same right of signing a requisition for calling a Meeting of the Company, and of attending and voting and exercising the other privileges of a Member at any Meeting held after the expiration of two clear days from the time of deposit, as if his name were inserted in the Register of Members as the holder of the Shares included in the deposited Warrant. Not more than one person shall be recognised as depositor of the Share Warrant. The Company shall, on two days' written notice, return the deposited Share Warrant to the depositor.

39. Subject as herein otherwise expressly provided no person shall, as Bearer of a Share Warrant, sign a requisition for calling a Meeting of the Company, or attend, or vote, or exercise any other privilege of a Member at a Meeting of the Company, or be entitled to receive any notices from the Company; but the Bearer of a Share Warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members as the holder of the Shares included in the Warrant, and he shall be a Member of the Company,

40. The Directors may from time to time make rules as to the terms on which (if they shall think fit) a new Share Warrant or Coupon may be issued by way of renewal in case of defacement, loss, or destruction.

41. Alteration of Capital. The Directors may, with the sanction of an Extraordinary Resolution of the Company, increase the Share Capital by such sum, to be divided into Shares of such amount, as the Resolution shall prescribe.

42. Subject to any direction to the contrary that may be given by the Resolution sanctioning the increase of Share Capital, all new Shares shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion, as nearly as the circumstances admit, to the amount of the existing Shares to which they are entitled. The offer shall be made by notice specifying the number of Shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the Shares offered, the Directors may dispose of the same in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new Shares which (by reason of the ratio which the new Shares bear to Shares held by persons entitled to an offer of new Shares) cannot, in the opinion of the Directors, be conveniently offered under this Article.

43. The new Shares shall be subject to the same provisions with reference to the payment of Calls, lien, transfer, transmission, forfeiture, and otherwise as the Shares in the original Share Capital.

44. The Company may, by Special Resolution—(*a*) Consolidate and divide its Share Capital into Shares of larger amount than its existing Shares; (*b*) By subdivision of its existing Shares, or any of them, divide the whole, or any part, of its Share Capital into Shares of smaller amount than is fixed by the Memorandum of Association, subject, nevertheless, to the provisions of Paragraph (*d*) of Sub-section (1) of Section 41 of The Companies (Consolidation) Act, 1908; (*c*) Cancel any Shares which, at the date of the passing of the Resolution, have not been taken or agreed to be taken by any person; (*d*) Reduce its Share Capital in any manner and with, and subject to, any incident authorised, and consent required, by law.

45. General Meetings. The Statutory General Meeting of the Company shall be held within the period required by Section 65 of The Companies (Consolidation) Act, 1908.

46. A General Meeting shall be held once in every year at such time (not being more than fifteen months after the holding of the last preceding General Meeting) and place as may be prescribed by the Company in General Meeting, or, in default, at such time in the month following that in which the anniversary of the Company's incorporation occurs, and at such place, as the Directors shall appoint. In default of a General Meeting being so held, a General

Meeting shall be held in the month next following, and may be convened by any two Members in the same manner as nearly as possible as that in which Meetings are to be convened by the Directors.

47. The above-mentioned General Meetings shall be called Ordinary Meetings; all other General Meetings shall be called Extraordinary.

48. The Directors may, whenever they think fit, convene an Extraordinary General Meeting, and Extraordinary General Meetings shall also be convened on such requisition or, in default, may be convened by such requisitionists, as provided by Section 66 of The Companies (Consolidation) Act, 1908. If at any time there are not within the United Kingdom sufficient Directors capable of acting to form a quorum, any Director or any two Members of the Company may convene an Extraordinary General Meeting in the same manner as nearly as possible as that in which Meetings may be convened by the Directors.

49. Proceedings at General Meeting. Seven days' notice at the least (exclusive of the day on which the notice is served or deemed to be served, but inclusive of the day for which notice is given) specifying the place, the day, and the hour of meeting and, in case of special business, the general nature of that business shall be given in manner hereinafter mentioned, or in such other manner, if any, as may be prescribed by the Company in General Meeting, to such persons as are, under the regulations of the Company, entitled to receive such notices from the Company; but the non-receipt of the notice by any Member shall not invalidate the proceedings at any General Meeting.

50. All business shall be deemed special that is transacted at an Extraordinary Meeting, and all that is transacted at an Ordinary Meeting, with the exception of sanctioning a Dividend, the consideration of the accounts, balance sheets, and the ordinary report of the Directors and Auditors, the election of Directors and other officers in the place of those retiring by rotation, and the fixing of the remuneration of the Auditors.

51. No business shall be transacted at any General Meeting unless a quorum of Members is present at the time when the Meeting proceeds to business; save as herein otherwise provided, three Members personally present shall be a quorum.

52. If within half an hour from the time appointed for the Meeting a quorum is not present, the Meeting, if convened upon the requisition of Members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week, at the same time and place, and, if at the adjourned Meeting a quorum is not present within half an hour from the time appointed for the Meeting the Members present shall be a quorum.

53. The Chairman, if any, of the Board of Directors shall preside as Chairman at every General Meeting of the Company.

54. If there is no such Chairman, or if at any Meeting he is not present within fifteen minutes after the time appointed for holding the Meeting or is unwilling to act as Chairman, the Members present shall choose some one of their number to be Chairman.

55. The Chairman may, with the consent of any Meeting at which a quorum is present (and shall if so directed by the Meeting), adjourn the Meeting from time to time and from place to place, but no business shall be transacted at any adjourned Meeting other than the business left unfinished at the Meeting from which the adjournment took place. When a Meeting is adjourned for ten days or more, notice of the adjourned Meeting shall be given as in the case of an original Meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned Meeting.

56. At any General Meeting a resolution put to the vote of the Meeting shall be decided on a show of hands, unless a poll is (before or on the decl ration of the result of the show of hands) demanded by at least three Members, and, unless a poll is so demanded, a declaration by the Chairman that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Book of the Proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of, or against, that resolution.

57. If a poll is duly demanded it shall be taken in such manner as the Chairman directs, and the result of the poll shall be deemed to be the resolution of the Meeting at which the poll was demanded.

58. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the Meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.

59. A poll demanded on the election of a Chairman, or on a question of adjournment, shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the Chairman of the Meeting directs.

60. Votes of Members. On a show of hands every Member present in person shall have one vote. On a poll every Member shall have one vote for each Share of which he is the holder.

61. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

62. A Member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, *curator bonis*, or other person in the nature of a committee or *curator bonis* appointed by that Court, and any such committee, *curator bonis*, or other person may, on a poll, vote by proxy.

63. No Member shall be entitled to vote at any General Meeting unless all Calls or other sums presently payable by him in respect of Shares in the Company have been paid.

64. On a poll votes may be given either personally or by proxy.

65. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation, either under the Common Seal, or under the hand of an officer or attorney so authorised. No person shall act as a proxy unless either he is entitled on his own behalf to be present and vote at the Meeting at which he acts as proxy, or he has been appointed to act at that Meeting as proxy for a corporation.

66. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company not less than forty-eight hours before the time for holding the Meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

67. An instrument appointing a proxy may be in the following form, or in any other form which the Directors shall approve :—

COMPANY, LIMITED.

"I of
in the County of being a Member
of the COMPANY, LIMITED, hereby
appoint of
as my proxy to vote for me and on my behalf at the [Ordinary *or* Extraordinary, *as the case may be*] General Meeting of the Company to be held on the day of
and at any adjournment thereof."

Signed this day of .

68. Directors. The number of the Directors and the names of the first Directors shall be determined in writing by a majority of the Subscribers of the Memorandum of Association.

69. The remuneration of the Directors shall from time to time be determined by the Company in General Meeting.

70. The qualification of a Director shall be the holding of at least One Share in the Company, and it shall be his duty to comply with the provisions of Section 73 of The Companies (Consolidation) Act, 1908.

71. Powers and Duties of Directors. The business of the Company shall be managed by the Directors, who may pay all expenses incurred in getting up and registering the Company, and may exercise all such powers of the Company as are not, by The Companies (Consolidation) Act, 1908, or any statutory modification thereof for the time being in force, or by these Articles, required to be exercised by the Company in General Meeting, subject nevertheless to any regulation of these Articles, to the provisions of the said Act, and to such regulations, being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by the Company in General Meeting; but no regulation made by the Company in

General Meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.

72. The Directors may from time to time appoint one or more of their body to the office of Managing Director or Manager for such term, and at such remuneration (whether by way of salary, or commission, or participation in profits, or partly in one way and partly in another) as they may think fit, and a Director so appointed shall not, while holding that office, be subject to retirement by rotation, or taken into account in determining the rotation of retirement of Directors; but his appointment shall be subject to determination *ipso facto* if he ceases from any cause to be a Director, or if the Company in General Meeting resolve that his tenure of the office of Managing Director or Manager be determined.

73. The amount for the time being remaining undischarged of moneys borrowed or raised by the Directors for the purposes of the Company (otherwise than by the issue of Share Capital) shall not at any time exceed the issued Share Capital of the Company without the sanction of the Company in General Meeting.

74. The Directors shall duly comply with the provisions of The Companies (Consolidation) Act, 1908, or any statutory modification thereof for the time being in force, and in particular with the provisions in regard to the registration of the particulars of mortgages and charges affecting the property of the Company, or created by it, and to keeping a Register of the Directors, and to sending to the Registrar of Companies an annual list of Members, and a summary of particulars relating thereto, and notice of any consolidation or increase of Share Capital, or conversion of Shares into Stock, and copies of Special Resolutions, and a copy of the Register of Directors and notifications of any changes therein.

75. The Directors shall cause Minutes to be made in books provided for the purpose—(*a*) Of all appointments of officers made by the Directors; (*b*) Of the names of the Directors present at each Meeting of the Directors and of any Committee of the Directors; (*c*) Of all resolutions and proceedings at all Meetings of the Company, and of the Directors, and of Committees of Directors; and every Director present at any Meeting of Directors or Committee of Directors shall sign his name in a book to be kept for that purpose.

76. The Seal. The Seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors, and in the presence of at least two Directors and of the Secretary or such other person as the Directors may appoint for the purpose; and those two Directors and Secretary or other person as aforesaid shall sign every instrument to which the Seal of the Company is so affixed in their presence.

77. Disqualifications of Directors. The office of Director shall be vacated, if the Director—(*a*) Ceases to be a Director by virtue of Section 73 of The Companies (Consolidation) Act, 1908; or (*b*) Holds any other office of profit under the Company except that of Managing Director or Manager; or (*c*) Becomes bankrupt; or (*d*) Is found lunatic or becomes of unsound mind; or (*e*)

Is concerned or participates in the profits of any contract with the Company: Provided, however, that no Director shall vacate his office by reason of his being a Member of any Company which has entered into contracts with or done any work for the Company of which he is a Director; but a Director shall not vote in respect of any such contract or work, and if he does so vote his vote shall not be counted.

78. Rotation of Directors. At the first Ordinary Meeting of the Company the whole of the Directors shall retire from office, and at the Ordinary Meeting in every subsequent year one third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one third, shall retire from office.

79. The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

80. A retiring Director shall be eligible for re-election.

81. The Company at the General Meeting at which a Director retires in manner aforesaid may fill up the vacated office by electing a person thereto.

82. If at any Meeting at which an election of Directors ought to take place the places of the vacating Directors are not filled up, the Meeting shall stand adjourned till the same day in the next week at the same time and place, and, if at the adjourned Meeting the places of the vacating Directors are not filled up, the vacating Directors, or such of them as have not had their places filled up, shall be deemed to have been re-elected at the adjourned Meeting.

83. The Company may from time to time in General Meeting increase or reduce the number of Directors, and may also determine in what rotation the increased or reduced number is to go out of office.

84. Any casual vacancy occurring in the Board of Directors may be filled up by the Directors, but the person so chosen shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director.

85. The Directors shall have power at any time, and from time to time, to appoint a person as an additional Director who shall retire from office at the next following Ordinary General Meeting, but shall be eligible for election by the Company at that Meeting as an additional Director.

86. The Company may by Extraordinary Resolution remove any Director before the expiration of his period of office, and may by an Ordinary Resolution appoint another person in his stead; the person so appointed shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director.

87. Proceedings of Directors. The Directors may meet together for the dispatch of business, adjourn, and otherwise regulate their Meetings, as they think fit. Questions arising at any Meeting shall be decided by a majority of votes. In case of an equality of votes the Chairman shall have a second or casting vote. A Director may, and the Secretary on the requisition of a Director shall, at any ime summon a Meeting of the Directors.

88. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed shall (when the number of Directors exceeds three) be three.

89 The continuing Directors may act notwithstanding any vacancy in their body, but, if and so long as their number is reduced below the number fixed by or pursuant to the regulations of the Company as the necessary quorum of Directors, the continuing Directors may act for the purpose of increasing the number of Directors to that number, or of summoning a General Meeting of the Company, but for no other purpose.

90. The Directors may elect a Chairman of their Meetings and determine the period for which he is to hold office; but, if no such Chairman is elected, or if at any Meeting the Chairman is not present within five minutes after the time appointed for holding the same, the Directors present may choose one of their number to be Chairman of the Meeting.

91. The Directors may delegate any of their powers to Committees consisting of such Member or Members of their body as they think fit; any Committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on them by the Directors.

92. A Committee may elect a Chairman of their Meetings: if no such Chairman is elected, or if at any Meeting the Chairman is not present within five minutes after the time appointed for holding the same, the Members present may choose one of their number to be Chairman of the Meeting.

93. A Committee may meet and adjourn as they think proper. Questions arising at any Meeting shall be determined by a majority of votes of the Members present, and in case of an equality of votes the Chairman shall have a second or casting vote.

94. All acts done by any Meeting of the Directors or of a Committee of Directors, or by any person acting as a Director, shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Directors or persons acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

95. Dividends and Reserve. The Company in General Meeting may declare Dividends, but no Dividend shall exceed the amount recommended by the Directors.

96. The Directors may from time to time pay to the Members such interim Dividends as appear to the Directors to be justified by the profits of the Company.

97. No Dividend shall be paid otherwise than out of profits.

98. Subject to the rights of persons, if any, entitled to Shares with special rights as to Dividends, all Dividends shall be declared and paid according to the amounts paid on the Shares, but if and so long as nothing is paid up on any of the Shares in the Company Dividends may be declared and paid according to the amounts of the Shares. No amount paid on a Share in advance of Calls shall, while carrying interest, be treated for the purposes of this Article as paid on the Share.

99. The Directors may, before recommending any Dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for meeting contingencies, or for equalising Dividends, or for any other purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than Shares of the Company) as the Directors may from time to time think fit.

100. If several persons are registered as joint holders of any Share any one of them may give effectual receipts for any Dividend payable on the Share.

101. Notice of any Dividend that may have been declared shall be given in manner hereinafter mentioned to the persons entitled to share therein.

102. No Dividend shall bear interest against the Company.

103. Accounts. The Directors shall cause true accounts to be kept—Of the sums of money received and expended by the Company and the matter in respect of which such receipt and expenditure takes place; and of the assets and liabilities of the Company.

104. The Books of Account shall be kept at the Registered Office of the Company, or at such other place or places as the Directors think fit, and shall always be open to the inspection of the Directors.

105. The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors, and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by Statute or authorised by the Directors or by the Company in General Meeting.

106. Once at least in every year the Directors shall lay before the Company in General Meeting a profit and loss account for the period since the preceding account or (in the case of the first account) since the incorporation of the Company, made up to a date not more than six months before such Meeting.

107. A balance sheet shall be made out in every year and laid before the Company in General Meeting made up to a date not more than six months before such Meeting, The balance sheet shall be

accompanied by a report of the Directors as to the state of the Company's affairs, and the amount which they recommend to be paid by way of Dividend, and the amount, if any, which they propose to carry to a Reserve Fund.

108. A copy of the balance sheet and report shall, seven days previously to the Meeting, be sent to the persons entitled to receive notices of General Meetings in the manner in which notices are to be given hereunder.

109. Audit. Auditors shall be appointed and their duties regulated in accordance with Sections 112 and 113 of The Companies (Consolidation) Act, 1908, or any statutory modification thereof for the time being in force.

110. Notices. A notice may be given by the Company to any Member either personally or by sending it by post to him to his registered address, or (if he has no registered address in the United Kingdom) to the address, if any, within the United Kingdom supplied by him to the Company for the giving of notices to him. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying, and posting a letter containing the notice, and unless the contrary is proved to have been effected at the time at which the letter would be delivered in the ordinary course of post.

111. If a Member has no registered address in the United Kingdom and has not supplied to the Company an address within the United Kingdom for the giving of notices to him, a notice addressed to him and advertised in a newspaper circulating in the neighbourhood of the Registered Office of the Company, shall be deemed to be duly given to him on the day on which the advertisement appears.

112. A notice may be given by the Company to the joint holders of a Share by giving the notice to the joint holder named first in the Register in respect of the Share.

113. A notice may be given by the Company to the persons entitled to a Share in consequence of the death or bankruptcy of a Member by sending it through the post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description, at the address, if any, in the United Kingdom supplied for the purpose by the persons claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

114. Notice of every General Meeting shall be given in some manner hereinbefore authorised to (*a*) every member of the Company (including Bearers of Share Warrants) except those Members who (having no registered address within the United Kingdom) have not supplied to the Company an address within the United Kingdom for the giving of notices to them, and also to (*b*) every person entitled to a Share in consequence of the death or bankruptcy of a Member, who, but for his death or bankruptcy, would be entitled to receive notice of the Meeting. No other persons shall be entitled to receive notices of General Meetings.

PUBLISHED ACCOUNTS.

400. The **Accounts** and **Balance Sheet** of an ordinary Limited Company, not governed by such special or general Acts as those referred to in the chapters on the Double Account System and Insurance A/cs., are *not* dealt with by the Companies (Consolidation) Act, 1908, but the **Articles** almost invariably deal with them, or the provisions of Table A apply unless excluded. While the **Act** itself does *not* require the preparation or submission to the members of any Balance Sheet, Profit & Loss A/c., or Report, it nevertheless presumes their preparation by prescribing that the **Auditors** shall make a **Report** upon every Balance Sheet laid before the company in General Meeting, and that such Balance Sheet shall be signed by two directors.

401. The Act further requires that every Company (not being a Private Company) shall **file** with its Annual Summary a statement in the form of a **Balance Sheet,** containing a summary of its Share Capital, its Liabilities, and its Assets, giving such particulars as will disclose the general nature of those Liabilities and Assets, and how the values of the fixed assets have been arrived at, but the Balance Sheet need not include a statement of Profit & Loss. The Balance Sheet must contain a statement of the commission paid on the issue of any Shares or Debentures or the discount allowed on any Debentures, so far as the same has not been written off, and this must be repeated until the whole amount is written off. Page 2 of the Summary ("Form E," see page 334) is reserved for the Balance Sheet, the heading and ruling being as follows :—

STATEMENT in the form of a Balance Sheet made up to the day of 19 , containing the Particulars of the Capital, Liabilities, and Assets of the Company.

Capital and Liabilities.	Assets.

402. Unless excluded by *special* **Articles** of Association, **Table A.** provides that once at least in every year the Directors shall lay before the Company in General Meeting a **Profit & Loss A/c.** for the

period since the preceding account, or (in the case of the first account) since the incorporation of the Company, made up to a date not more than six months before such Meeting. It also provides that a **Balance Sheet** shall be made out and laid before the Company in General Meeting, and shall be accompanied by a Report of the Directors as to the state of the Company's affairs, the amount which they recommend to be paid by way of dividend, and the amount, if any, which they propose to carry to a Reserve Fund. A copy of the Balance Sheet and Report shall, seven days previously to the meeting, be sent to the persons entitled thereto.

403. While most Accounts are **published annually,** those of **Banking** and **Railway Companies** are prepared half-yearly. The Companies Act provides that every **Limited Banking Company** shall, before it commences business, and also on the first Monday in February and the first Tuesday in August in every year, during which it carries on business, make a Statement in the form provided by the Act, a copy of which shall be put up in a conspicuous place in the Registered Office of the Company, and in every Branch Office.

404. One of the principal features of the following collection of **Published Accounts** is the lack of uniformity in their presentation. Beyond the requirements of Banks referred to in the last paragraph, the Directors are only bound by the Articles of Association in the preparation of the accounts. It will be noticed that the information contained in some of them is of the most meagre description, the value of the Assets being stated in a lump sum, while in other cases many details are given. As to the order in which the Liabilities and Assets are stated there is no law whatever, and the practice of the best accountants varies in many respects.

405. Every Company limited by shares must, within a period of not less than one month, nor more than three months, from the date at which it is entitled to commence business, hold a **General Meeting** of its Members, which is described as the **Statutory Meeting.** In the case of a **Public Company** there must be forwarded to every member and debenture holder, at least seven days before the Meeting, the **Statutory Report,** containing (*a*) particulars as to the shares allotted, (*b*) the amount of cash received, (*c*) an abstract of the receipts and payments of the Company, (*d*) a list of the Directors and Officers, (*e*) particulars of the modification of any contract. A **specimen** of a **Statutory Report** is given on the next page, a copy of which, impressed with a 5/- fee stamp, must be filed with the Registrar. If default is made in filing the Report or holding the Statutory Meeting, any shareholder may, at the expiration of 14 days after the last day on which the meeting ought to have been held, petition the Court for the winding up of the Company. The Court, on the hearing of the petition, may either direct the Company to be wound up, or direct the Report to be filed or a meeting to be held, or make such other order as may be just, and may order the persons in default to pay the costs of the petition.

No. of Certificate 107939.

THE COMPANIES (CONSOLIDATION) ACT, 1908.

The Diamantino Rubber Plantations, Limited.

NOTICE IS HEREBY GIVEN that the Statutory General Meeting of The Diamantino Rubber Plantations, Limited, will be held at Winchester House, Old Broad Street, in the City of London, E.C., on Tuesday, the 7th day of June, 1910, at 12-30 o'clock p.m.

By Order of the Board,
BOUSTEAD, ANDERSON & Co.,
Secretaries.

27th May, 1910.

Report of the Directors.

Pursuant to Section 65 of the Companies (Consolidation) Act, 1908.

The Directors report to the Members as follows :—

1.—The total number of Shares allotted is 974,900 of 2s. each, of which 250,000 have been issued as fully paid up in part consideration of the Purchase Price, and 724,900 have been issued for cash.

2.—The total amount of Cash received by the Company in respect of the 724,900 Shares issued wholly for cash is £48,353 17s. 6d.

3.—The Receipts and Payments of the Company on Capital Account and otherwise to the 24th day of March, 1910, are as follows :—

Receipts.				Payments.			
Amount due in respect of 724490 Shares	£72490	-	-	Purchase consideration paid to Vendors in cash	£30000	-	-
Less Calls unpaid	24136	2	6	Payments to Underwriters and Brokers	4226	4	4
				Preliminary Expenses ...	3000	-	-
				Legal & Transfer Expenses	2800	-	-
				Remittance to Manager..	3000	-	-
				Cables, Postages, Salaries, &c.	515	4	6
				Balance of Cash in Bank	4812	8	8
	£48353	17	6		£48353	17	6

4.—The amount of the Preliminary Expenses paid by the Company as per Prospectus was £3000.

5.—The following are the Names, Addresses and Descriptions of the Directors, Auditors, Manager, and Secretaries of the Company :—

Directors—

L. T. BOUSTEAD, The Ivy House, Nutfield, Redhill, Surrey.
FREDERICK DAVIES, 21 Mincing Lane, E.C.
T. P. W. FORRESTER, 86 Leadenhall Street, E.C.

Auditors—

DELOITTE, PLENDER, GRIFFITHS & CO., 5 London Wall Buildings, London, E.C., Chartered Accountants.

Manager—T. H. WHITE, Para.

Secretaries and Offices—

BOUSTEAD, ANDERSON & CO., 30 Mincing Lane, E.C.

We hereby certify this report.
L. T. BOUSTEAD,
FREDK. DAVIES. } *Directors.*

AUDITOR'S REPORT.

We hereby certify that so much of this Report as relates to the Shares alloted by the Company, and to the Cash received in respect of such Shares, and to the Receipts and Payments of the Company on Capital Account and otherwise, is correct.

DELOITTE, PLENDER, GRIFFITHS & CO.,
Chartered Accountants. } *Auditors.*

5 London Wall Buildings, London, E.C.
25th May, 1910.

THE ASSOCIATED GOLD MINES OF WESTERN AUSTRALIA, LIMITED.

Dr. Mine Working Account for the Year ending 31st March, 1909. Cr.

To Ore Extraction		£48259	2	9	By Bullion Account	£262397	4 2
,, Ore Milling		78528	5	10	,, Interest on Deposit with Railway Commissioners	15	- -
,, Bullion Expenses		1420	10	8	,, Kalgoorlie and Boulder Mines Water Trust – Dividend	162	15 7
,, General Expenses at Mine		5682	11	-	,, Adelaide Lease—Receipts in excess of Expenditure	140	6 -
,, Balance carried to Profit & Loss		133824	15	6			
		£262715	5	9		£262715	5 9

Dr. Profit and Loss Account for the Year ending 31st March, 1909. Cr.

To Adelaide Office Expenses—					By Balance of Mine Working Account			£133824	15 6
Directors' Fees, Secretary's Salary, Advertising, Printing, Stationery, Cables, Postages and General Expenses			499	15 10	,, Dividends on Investments			6085	3 2
					,, Interest			239	3 1
					,, Transfer Fees			177	8 6
,, London Expenses—									
Directors' Fees	1450	- -							
Rent and Salaries	1606	17 9							
Stationery, Printing, Advertising, Cables, Postages and General Expenses	502	18 5							
Legal Charges and Audit Fee	114	7 6							
Consulting Engineer	210	- -							
Transfer Audit	21	19 11							
			3906	3 7					
,, Income Tax			2245	15 -					
,, Charges on Remittances			742	17 6					
,, Depreciation on Investments Realised and in hand			7089	14 6					
,, Depreciation on London Office Furniture			50	- -					
,, Balance carried to Balance Sheet			125792	3 10					
			£140326	10 3				£140326	10 3

Auditors' Report.—We report to the Shareholders that we have examined the above Balance Sheet with the Books and Vouchers in London, and with the Audited Statements received from Australia, and having obtained all the information and explanations we have required, we are of opinion that such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us, and as shown by such Books and Audited Statements.

3 Frederick's Place, Old Jewry, E.C.,
30th June, 1909.

PRICE, WATERHOUSE & Co.

THE ASSOCIATED GOLD MINES OF

Balance Sheet as at

Liabilities.

CAPITAL—								
Authorised £500,000 in 500,000 Shares of £1 each				£500000	-	-		
Issued and fully paid up							495364	- -
SUNDRY CREDITORS—								
Australia				10301	11	8		
London				180	10	5	10432	2 1
Directors' Extra Remuneration—								
On Dividends Nos. 13 and 14							1238	8 2
Dividends—								
Outstanding and unclaimed							806	4 -
PROFIT & LOSS—								
Balance as per last Balance Sheet				14385	15	-		
Add Balance for year as per annexed account				125792	3	10		
				140177	18	10		
Less Dividend No. 13, 1s. 6d. per Share paid 24th July, 1908	37152	6	-					
Less Dividend No. 14, 1s. per Share paid 12th November, 1908	24768	4	-	61920	10	-		
				78257	8	10		
Less Western Australian Government Duty on Dividends Nos. 13 and 14	3096	-	6					
Less Directors' extra remuneration for year ending 31st March, 1909, on Dividends Nos. 13 and 14, paid 24th July and 12th November, 1908, subject to confirmation by Shareholders in accordance with Articles of Association	1238	8	2	4334	8	8		
				73923	-	2		
Less Expenditure written off—								
Development and Shaft Sinking	40274	13	9					
Diamond Drilling	2629	19	7					
Less Depreciation—								
Plant and Machinery	20431	18	4					
Buildings	795	4	3					
Furniture	102	19	9	64234	15	8	9688	4 6
							£517578	18 9

WESTERN AUSTRALIA, LIMITED.

31st March, 1909.

Assets

Property Purchase Account—			
As per last Balance Sheet			£169377 19 10
Expenditure on Australia Leaseholds—			
Plant and Machinery—			
As per last Balance Sheet.....	121348 17 7		
Additions during year (less Sales)...	14863 18 1		
	136212 15 8		
Less 15 per cent. Depreciation.....	20431 18 4	115780 17 4	
Buildings--			
As per last Balance Sheet.....	5301 8 7		
Less 15 per cent. Depreciation.....	795 4 3	4506 4 4	
Furniture—			
As per last Balance Sheet	1022 7 9		
Additions during year	7 10 -		
	1029 17 9		
Less 10 per cent. Depreciation.....	102 19 9	926 18 -	
Development and Shaft Sinking—			
As per last Balance Sheet.....	39180 6 11		
Expenditure during year	32438 12 4		
	71618 19 3		
Less written off--			
20 per cent. on Balance at 31st March, 1908 7836 1 5			
Expenditure for year to 31st March, 1908 ..... 32438 12 4	40274 13 9	31344 5 6	
Live Stock and Vehicles (as valued)		487 - -	153045 5
London Office Furniture(less Depre.iation)			100 - -
Investments—			
Consols £41000 2½ per cent. at market price, 31st March, 1909		34773 2 6	
Transvaal Government 3 per cent. Guaranteed Stock 1958 £100000 at net cost		96005 6 2	
		130778 8 8	
Add accrued interest.....		941 18 8	
		131720 7 4	
Associated Northern Blocks (W.A.) Limited 9813 fully paid £1 Shares at market price, 31st March, 1909		3679 17 6	
Kalgoorlie and Boulder Mines Water Trust		1080 - -	
Sundry Investments		50 13 -	136580 17 10
Stores Explosives, Fuel, &c., as certified		9559 9 2	
,, in transit		1534 16 1	11094 5 3
Unexpired Insurance Premiums.....			136 14 4
Sundry Debtors—			
Australia for Bullion (since received)		22639 2 9	
,, Sundries		1200 3 4	
London for advance against security (since repaid)		9000 - -	32839 6 1
Cash at Bank and in hand—			
Deposit and General Accounts		13648 6 3	
Dividend Accounts.....		806 4 -	14454 10 3
			£517578 18 9

THE BALANCE SHEET of FURNESS, 30th April,

Capital & Liabilities.

SHARE CAPITAL—			
Total authorised Issue—			
150000 5% Cumulative Preference Shares of £10 each		£1500000	
2000000 Ordinary Shares of £1 each		2000000	
		£3500000	
ISSUED—			
80000 5% Cumulative Preference Shares of £10 each fully called and paid up	£800000 - -		
35000 5% Cumulative Preference Shares of £10 each on which £8 per Share has been called up	280000 - -		
	1080000 - -		
Add—Amounts paid in advance, *less* Calls in arrear	66453 - -	1146453 - -	
1200000 Ordinary Shares of £1 each fully called and paid up	1200000 - -		
800000 Ordinary Shares of £1 each, on which 17/6 per Share has been called up	700000 - -		
	1900000 - -		
Add—Amounts paid in advance, *less* Calls in arrear	19635 2 6	1919635 2 6	3066088 2
NOTE.—There is an amount of £83911 17s. 6d. *receivable against future Calls.*			
RESERVE FUND separately invested (as per Contra)			500000 - -
RESERVE ACCOUNT for Insurance and Repairs			200000 - -
SUNDRY CREDITORS (including British Maritime Trust, Ld., and Chesapeake and Ohio S. S. Company, Ld., on purchase of Steamers)			509551 6 4
BILLS PAYABLE—			
Accepted for Customer against security (as per Contra)		26244 - -	
General		116670 9 9	
On Steamers building and delivered		368685 - -	511599 9 9
PROFIT AND LOSS—			
Balance as per last Account	165775 11 7		
Less—Appropriated as per Directors' Report of 4th July, 1908	63460 5 3	102315 6 4	
Add—Balance for year as per Account		217383 1 11	
		319698 8 3	
Less—Interim Dividend on Ordinary Shares for six months at 5% per annum, paid 1st Nov., 1908	44088 10 3		
Transferred for Depreciation	114897 - 10	158985 11 1	160712 17 2
			£4947951 15 9

Dr. Profit & Loss Account, for the Twelve

To Directors' Fees	£5441 13 4
,, Income Tax	6198 12 -
,, Preference Share Dividend to 31st October, 1908, and Interest and Discount	49892 8 11
,, Balance as per Balance Sheet	217383 1 11
	£278715 16 2

WITHY & COMPANY, LIMITED.

1909.

Property & Assets.

STEAMSHIPS, INVESTMENTS in Collieries, Engine and Iron Works, Shipping, Industrial and Subsidiary Companies, and General Investments (less Depreciation written off), Freeholds, Plant, and other property in the United Kingdom and abroad (including dock warehouses, tugs, coal and cargo barges), Stocks of coal, &c., Payments on account of New Tonnage (less Amounts received on account)		£3792457 18 4
INVESTMENTS as per Contra Reserve Fund		500000 - -
£100000...2½% Consols		
100000...British Maritime Trust, Limited	Shares	
50000...Cash Deposits with Bankers and Secured Loans at Interest		
50000...Cargo Fleet Iron Company, Limited	Debentures	
50000 . International Mercantile Marine Company	Bonds	
50000...Broomhill Collieries, Limited	Preference Shares	
20000...Soria Mining Company, Limited	Debentures	
18424...Tyne-Tees Steam Shipping Company, Ltd.	do.	
17532...Robert Stephenson & Company, Limited	do.	
11800 ..Palmer's Shipbuilding & Iron Company, Ltd.	do.	
8500...Easington Coal Company, Limited	do.	
8280...Richardson, Westgarth & Company, Limited	do.	
7500...Tees-Side Bridge & Engineering Co, Ltd.	do.	
7100 ..Wouldham Cement Company, Limited	do.	
5500 . London-Welsh Steam Shipping Co., Ltd.	do.	
2000...Inkula Steamship Company, Limited	do.	
1000...Inkum Steamship Company Limited	do.	
2000...Metropolitan Railway	Stock.	
5000...Grand Trunk Railway of Canada	do.	
8000...Great Central Railway Company	do.	
3000...London, Chatham and Dover Railway	do.	
500 Shares Barclay & Company, Limited, £20 each, £8 paid up		
500 Shares North Eastern Banking Company, Limited, £20 each, £6 paid up		
SUNDRY DEBTORS—		
For Acceptance of Customer's Drafts against Security (as per Contra)	26244 - -	
On Open Accounts and Steamers' Uncompleted Voyages, including Unexpired Insurances and Pending Averages	251849 7 4	278093 7 4
BANKERS' BALANCES on Current Accounts, Cash and Bills on hand		377400 10 1
		£4947951 15 9

Months ended 30th April, 1909. **Cr.**

By Profits—		
At Head Office and Branches	£222983 15 9	
Less—Loss at Shipyard, to 31st October, 1908	59134 9 7	163849 6 2
,, Dividends on Investments		105749 18 9
,, Subsidy for Postal Services		8924 11 9
,, Transfer Fees		191 19 6
		£278715 16 2

DAVY BROTHERS, Limited, SHEFFIELD. Balance Sheet, 30th April, 1909.

Capital and Liabilities.							
CAPITAL AUTHORISED –						£	
3000 Ordinary Shares of £35 each nominal value						105000	
60000 Five per cent. Cumulative Preference Shares of £1 each nominal value						60000	
						£165000	
CAPITAL ISSUED—							
3000 Ordinary Shares on each of which £30 has been paid					£90000		
32216 Preference Shares on each of which 20/- has been paid					32216		
						122216 - -	
Debentures						30000 - -	
Mortgage						6400 - -	
Sundry Creditors						14013 9 11	
PROFIT & LOSS ACCOUNT—							
Balance as per last Balance Sheet			13410	18	9		
Less Dividend, July 1908	5230	8 -					
Appropriated to Plant and Machinery	7500	- -	12730	8	-		
Balance brought forward						680 10 9	
Add Gross Profit for year ended 30th April, 1909			10760	7	3		
Less Interest on Mortgage and other Loans	1594	4 10					
Depreciation	1991	16 4	3586	1	2	7174	6 1
						7854 16 10	
Less Interim Dividend on Preference Shares paid 1st Feb., 1909						730 8 -	7124 8 10
							£179753 18 9

Assets.							
Land (Freehold) and Buildings,							
Fixed Plant & Machinery—							
As per last Balance Sheet			108394	7	10		
Less Appropriation from Profit & Loss Account, 1908			7500	-	-		
			100894	7	10		
Additions to Plant during the year			8240	12	1		
			109134	19	11		
Less Depreciation			1400	-	-	107734	19 11
Loose Plant & Tools, Patterns, &c.—							
As per last Balance Sheet			27787	2	3		
Added during the year			104	16	4		
			27891	18	7		
Less Depreciation			591	16	4	27300	2 3
Patents and Patent Rights						1000	- -
Stock-in-Trade			10739	7	3		
Work in Progress			7679	1	4		
Less Instalments received in respect of same			1500	-	-	6179	1 4 16918 8 7
Sundry Debtors—							
Less Reserve for Bad Debts and Allowances						26685	8 -
Cash in hand						165	- -
							£179753 18 9

22 Booth Street,
MANCHESTER, *12th July, 1907.*

To the Shareholders of
The English Sewing Cotton Company, Limited.

Gentlemen,

We have audited the Accounts of the Company for the year ending 31st March, 1907, and the Balance Sheet of that date, and have to report that such Balance Sheet is, in our opinion, properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the Books of the Company.

Properties, &c.—The item £2241489 5s. 11d. is explained in the Balance Sheet itself. It includes "Closed Works," which now stand at £36241 3s. 10d., and "Goodwill and Trade Marks," which stand at £431546 9s. 0d.

Depreciation has been charged at the following rates:—

On Buildings, including Sprinklers	at 2½%.
,, Fixed Plant	at 5 %.
,, Loose Plant and Machinery	at 7½%.
,, Office and Warehouse Furniture and Fittings, a sum exceeding	at 10%.

And in addition—

Depreciation on the excess of the amount standing to the debit of "Closed Works" Account over the present estimated value thereof	at 10%.

The item of Depreciation, £28902 2s. 3d., in the Balance Sheet is in respect of English plants only. In addition, the sum of £10429 0s. 1d. has been written off for Depreciation on the plant of R. F. & J. Alexander & Co., Limited, and Ermen & Roby (Amentières) Limited, which is dealt with in the separate Accounts of these Companies. The total Depreciation for the year is therefore £39331 2s. 4d.

Balance of Amounts due by Subsidiary Companies, and Dividends and Profit yet to receive.—£209600 19s. 5d. comprises the Dividend to be received from the American Thread Company, and balances owing by R. F. & J. Alexander & Company, Limited, and Ermen & Roby (Armentières) Limited (less a credit balance of account with the English Thread Company, Limited).

Stocks in Trade.—The correctness of the quantities has been certified by some responsible person or persons at each Branch. The prices of the stocks in the various departments of each concern are certified as correct by the four Executive Directors, or as to stores and mill supplies by a member of the Stores Committee. These gentlemen also certify that such prices are on the basis of cost or net realisation (whichever is lower), and we are of opinion that the basis adopted is fair and reasonable

Sundry Debtors.—This item includes the Foreign and HomeTrade Debtors for Sewing Cotton and Sewing Silk, the accounts for which are kept by the Company's Agents, the Central Agency Limited. Summarised statements thereof, certified by Mr. David W. Kidston, one of the Auditors of the Central Agency Limited, have been produced to us. Proper provision has, in our opinion, been made for bad and doubtful debts and for discounts.

Cash and Bills at Bankers and in Hand.—We have verified the Cash and Bills at Bankers and at the Head Office, and at some of the Branches. With regard to cash at Foreign Banks and Agencies under the control of the Central Agency Limited, our remarks under the head of Sundry Debtors also apply.

We have examined the Certificates for the Investments, including the Investments in Subsidiary Companies.

Profit and Loss Account.—The net profit on the year's working, after paying £38309 1s. 1d. Interest on Debentures, is £254846 17s. 4d. to which must be added the balance brought forward from last year, £67302 11s. 7d. making a total of £322149 8s. 11d. From this must be deducted the interim dividend of 2½% on the Preference Shares paid on the 9th February, 1907, £25000, leaving a balance to the credit of £297149 8s. 11d.

We are, Gentlemen,
Your obedient Servants,
DAVID SMITH, GARNETT & CO.

ENGLISH SEWING COTTON

Balance Sheet,

SHARE CAPITAL, authorised, issued and paid up: —		
1000000 5% Cumulative Preference Shares of £1 each		£1000000 - -
1000000 Ordinary Shares of £1 each		1000000 - -
Debenture Stock authorised, issued and paid up :—		
4% First Mortgage Debenture Stock	£957694 - -	
Interest accrued thereon to 31st March, 1907	9576 18 9	967270 18 9
Sundry Creditors		74252 17 3
The American Thread Company,—Current Account		4565 19 10
Pension Fund for Employees		5000 - -
Capital Reserve Account		112601 13 6
Reserve Account		50000 - -
Contingent Liability against Bills of Lading £232750 0 6 (*estimated at nil*).		
PROFIT & LOSS ACCOUNT :—		
Balance brought forward as per Directors' Report dated 30th July, 1906	72302 11 7	
Less Employees Pension Fund—Amount voted at last General Meeting	5000 - -	
	67302 11 7	
Profit for the year as per account	254846 17 4	
	322149 8 11	
Deduct Interim Dividend of 2½% on Preference Shares paid 9th February, 1907	25000 - -	297149 8 11
		£3510840 18 3

Dr. **Profit & Loss Account** for

To Directors' Fees, 1907, and Commission, 1906	£10500 - -
,, Law Charges and Accountancy	1136 19 7
,, Depreciation on English Plants, Furniture & Fittings	28902 2 3
,, Debenture Interest for one year	38309 1 1
,, Balance carried down	254846 17 4
	£333695 - 3

In accordance with the provisions of the Companies Act, we certify that Shareholders accompanies this Balance Sheet.

Manchester, *11th July, 1907*

COMPANY, LIMITED.

31st March, 1907.

Freehold and Leasehold Properties, Plant, Machinery, etc., (including capital outlay on same since their acquisition) and Goodwill of original purchases, also fully paid shares in Subsidiary Companies, fully-paid Preference and Ordinary Shares in R. F. & J. Alexander & Co., Limited, and 1200000 shares of $5 each ($3½ per share paid up) of the Common Stock of the American Thread Company, As per Balance Sheet, 31st March, 1906		£2327703 7 8	
Add Capital Expenditure during year ended 31st March, 1907 (exclusive of £11444 8 6 expended by Subsidiary Companies)		12350 12 -	
		2340053 19 3	
Less Depreciation on English Plants, Furniture and Fittings for the year (*Exclusive of* £10429 0 1 *written off by Subsidiary Companies*)	£28902 2 3		
Sales	59662 11 1		
Amount written "Closed Works" taken from Special Reserve	10000 - -		
		98564 13 4	
Total Properties, etc., (including "Closed Works Account" £36241 3 10), at 31st March, 1907			£2241489 5 11
Subsidiary Companies—Balance of Amounts due—and Dividends and Profit yet to receive			209600 19 5
Stocks-in-Trade valued on basis of Cost or Net Realisation, whichever is lower			377534 6 2
Sundry Debtors (*less* Provision for Discounts and Bad Debts)			189873 - 5
Investments at cost price			249673 15 1
Cash and Bills at Bankers and in hand			221669 11 3
Trustees for Debenture Holders :— Cash in Bank to be re-invested			21000 - -
			£3510840 18 3

year ended 31st March, 1907. **Cr.**

By Manufacturing Profits, Dividends from the American Thread Company and Subsidiary and other Companies, Bank Interest, and Interest on Investments	332740 6 9	
,, Transfer Fees	954 13 6	
	£333695 - 3	

all our requirements as Auditors have been complied with. Our Report to the

DAVID SMITH, GARNETT & Co,,
Chartered Accountants, Auditors,

LIPTON,

Balance Sheet as

Capital & Liabilities.

CAPITAL :—				
a) 1000000 Cumulative 5 per cent. Preference Shares of £1 each		1000000 - -		
1000000 Ordinary Shares of £1 each, per Balance Sheet at 14th March, 1908	1000000 - -			
Add 250000 Ordinary Shares of £1 each, issued in July, 1908	250000 - -			
	1250000 - -			
Less Calls in arrear on 79 Shares of new Issue	65 15 -	1249934 5 -		2249934 5 -
Debenture Stock, bearing 4 per cent. interest				500000 - -
Bills Payable				212982 - 5
Overdraft from Bank				393745 4 4
Sundry Creditors and Directors' Fees				241960 9 4
Savings Bank Deposits & Interest accrued thereon				67321 8 7
Unclaimed Dividends				2049 19 8
Interest on Debenture Stock accrued at date				8965 - 11
Premium on Shares Account :—				
5s. per Share on 666667 Shares of original Issue	166666 15 -			
5s. per Share on 250000 Shares of new Issue £62500 - -				
Less Expenses of new Issue 8277 17 9	54222 2 3	220888 17 3		
Reserve Account		145000 - -		365888 17 3
PROFIT & LOSS ACCOUNT :—				
Balance brought from previous year	20264 16 3			
Profit for period ending 20th March, 1909, as per Account	162726 5 2	182991 1 5		
Deduct (*a*) Interest on Debenture Stock for year	20000 - -			
(*b*) Interim Dividend on Preference Shares paid 30th Sept., 1908	25000 - -			
(*c*) Interim Dividend on original Ordinary Shares paid 9th November, 1908	30000 - -			
(*d*) Interim Dividend on new Ordinary Shares paid 9th Nov., 1908	1171 17 6	76171 17 6		106816 3 11
				£4149666 9 5

Dr. **Profit & Loss Account** for the Period from

To Expenses of Management, including Salaries, General Charges, Head Office Expenses, Auditors' Fees, Transfer Office Expenses, Savings Bank Expenses and Advertising	£147715 16 4
,, Bad Debts	2164 4 7
,, Interest on Savings Bank Deposits	413 15 11
,, Depreciation on Plant, Fittings, Fixtures, Utensils, &c. at Stores, Head Office, and Branches, and in Ceylon ; also Provision for Depreciation of Leaseholds	38963 3 10
,, Directors' Fees	6200 - -
,, Fees to Trustees for Debenture Holders	630 - -
,, Balance carried to Balance Sheet, being Profit for the above period	162726 5 2
	£358813 5 10

LIMITED.

at 20th March, 1909.

Assets.

Goodwill of the Business, Freehold and Leasehold Properties, and Freehold Estates in Ceylon.			
Amount per Balance Sheet at 14th March, 1908, at Cost, less amounts written off for Depreciation	1834295 6 -		
Additional Capital Expenditure during year	12111 3 5	1846406 9 5	
Less written off for Depreciation and Lease Redemption during year		354 12 11	1842051 16 6
Plant, Machinery, Fixtures, Fittings, Utensils, Carts, Horses, &c.			
Amount per Balance Sheet at 14th March, 1908	309647 5 -		
Additions during year at Branches	170136 13 3		
Do. at Stores, Factories, &c.	61524 14 11	541338 13 2	
Less written off for Depreciation during year		34608 10 11	506730 2 3
Stocks-in-Trade			1290628 6 10
Sundry Debtors			256147 14 -
Insurances unexpired and other items paid in advance, including £30000 of advertising outlay carried forward			80155 14 8
Investments at Cost and Interest, &c., accrued thereon (Market Value, £101537 8 10)			104277 10 9
Cash at Bank and on hand			69675 4 5
			£4149666 9 5

15th March, 1908, to 20th March, 1909 inclusive. **Cr.**

By Profit on Trading at Stores and Branches (after deducting Wages and Working Expenses) and Profits from Estates in Ceylon	£353315 9 8
,, Transfer Fees	883 11 2
,, Interest, &c., on Investments	4614 5 -
	£358813 5 10

A. W. GAMAGE, Ltd.

Balance Sheet, 31st January, 1910.

Capital and Liabilities.						Assets.					
AUTHORISED CAPITAL—						Goodwill—					
175000 Ordinary Shares of £1 each		£175000				As per Purchase Price, 9th Aug., 1897				43300	- -
175000 5½% Cumulative Preference Shares of £1 each		175000				Leases, Fixtures, Fittings, Motor Vans, &c., as per last Account	62618	5	9		
		£350000				*Add*—Balance of Expenditure during year	5535	17	6		
ISSUED CAPITAL—							68154	3	3		
135000 Ordinary Shares of £1 each	135000	-	-			*Less*—Depreciation written off Short Leases, Motor Vans, &c.	840	19	11	67313	3 4
155000 5½% Cumulative Preference Shares of £1 each	155000	-	-	290000	- -						
Loans on Debentures and Interest thereon				102118	15 -	Building Account—					
Cash on Deposit and Interest thereon				4481	11 -	118-122, Holborn	75066	19	3		
Dividends unclaimed				100	18 7	125-128, Holborn	31891	7	-		
Sundry Creditors, less Reserve for Discounts				35661	13 5	Leather Lane, Robin Hood Yard, &c.	48095	7	10		
Bills Payable				7181	- -	Total, as per last Account	155053	14	1		
General Reserve				14378	10 6	*Add* Expenditure during year on New Buildings and Artesian Well, less depreciation on Boilers and Well	11697	1	1	166750	15 2
Special Reserve				9000	- -						
PROFIT & LOSS ACCOUNT—						Stock-in-Trade, per the Company's Inventories and Valuations				135251	10 5
Balance from last Account	9017	5	5			Cash at Bankers and in Hand				23078	2 -
Balance from new Account	30079	5	6			Sundry Debtors less Reserve				8965	16 -
	39096	10	11			Rents Receivable and Rates, Insurance, &c. paid in advance				1765	16 4
Less—Debenture Interest	4500	-	-			Investment—					
Preference Dividend, paid 1st August, 1900	4262	10	-			35828 Ordinary Shares of £1 each (fully paid) in Benetfink & Co., Ltd.	39815	19	2		
Interim Dividend on Ordinary Shares paid 1st Nov., 1909, at the rate of 5% per annum	3375	-	-			Dividend accrued due	2530	7	-	42346	6 2
Contribution to the Gamage & Benetfink Employees' Provident Society, as voted at the General Meeting, held on 21st April, 1909	105	-	-	12242	10 -						
				26854	- 11						
			£	489771	9 5				£	489771	9 5

FREEMAN, HARDY & WILLIS, Limited. Balance Sheet for the year ending 31st December, 1909.

Liabilities.			£ s. d.	Assets.			£ s. d.
CAPITAL Authorised and Issued—				Land, Buildings, Fixtures, &c. at Leicester		£59000 - -	
225000 fully paid up Ordinary Shares of £1 each		225000 - -		Freehold Shop Properties, Leicester Sect.	136921 17 6		
200000 " " " 6% Preference Shares of £1 each		200000 - -		Leasehold " " "	14819 19 10	151741 17 4	
£100000 4% Debenture Stock	£100000 - -			Freehold and Leasehold Shops, Leases, Fixtures and Plant, London Section		34581 11 7	
£50000 4% " " 1903	50000 - -			Freehold Factory, &c, at Kettering		12013 4 -	
£25000 4% " " 1904	25000 - -	175000 - -				257336 12 11	
Trade Creditors		119457 9 10		*Less* Depreciation for 1909, Leicester Sect.	2784 6 4		
Debenture Interest and Preference Dividend		8945 16 8		" " " " London "	1684 11 7	4468 17 11	252867 15 -
Mortgages		3400 - -		Fittings and Fixtures at Branch Establishments		75741 8 3	
Reserve Fund		95000 - -		*Less* Depreciation for 1909		7574 3 3	68167 5 -
Reserve for Freehold and Leasehold Premises		15000 - -					
Superannuation Fund		6450 3 8		Trade and other Debtors			13959 13 5
Balance, 31st December, 1908	11623 19 7			Cash in hand		694 17 10	
BALANCE of PROFIT & LOSS ACCOUNT, 31st December, 1909 (after payment of Debenture Interest)	58325 13 10			Cash at Bankers		54374 6 3	55069 4 1
	69949 13 5			Stock in hand at Retail Branches		367749 15 10	
Less Dividend on Preference Shares for the year	11325 - -			" " " Warehouses, &c.		131588 14 7	499338 10 5
Interim Dividend on Ordinary Shares	13300 15 8	24625 15 -	45323 17 9	Investments at cost			4175 - -
		£	893577 7 11			£	893577 7 11

JOSEPH WATSON & SONS, Limited, Leeds. Balance Sheet, 31st March, 1910.

Liabilities.			£ s. d.	Assets.	£ s. d.
SHARE CAPITAL—				Freehold Land, Buildings, Plant, Machinery, &c.—*less* Premium on Shares, &c., as per last year's Balance Sheet	200864 1 2
360000 5% Pref. Shares of £1 each fully paid	£360000			*Add* additions during the year, less amount written off for Depreciation	49441 14 4
200000 10% Preferred Ordinary Shares of £1 each fully paid	200000				250305 15 6
240000 Ordinary Shares of £1 each fully paid	240000	800000 - -		Goodwill	90000 - -
				Cash and Investments at Cost	155537 13 1
Debts Owing and Credit Balances		75339 4 2		Debts Due and Debit Balances	167397 15 3
REVENUE ACCOUNT—				Stock-in-Trade as taken by Officials at Cost or under	270985 2 5
Amount from last year	2322 6 8				
Profits for year	92135 3 5	94457 10 1			
Less Interim Dividends paid during the year	35570 8 -	58887 2 1			
		£	934226 6 3	£	934226 6 3

THE CENTAUR CYCLE

Dr. **Profit & Loss Account** for the Twelve

	£	s.	d.
Loss on Trading Account	1850	12	5
Repairs, Wear and Tear, including Depreciation of Fixed and Loose Plant, Tools, Office Furniture, &c.	3573	19	7
Income Tax	258	15	-
	£5683	7	-

Balance Sheet,

Liabilities and Capital.		£	s.	d.
CREDITORS, less Discounts		6042	19	5
Unclaimed Dividends		157	8	7
Amount due to Bankers		6859	6	11
REGISTERED CAPITAL:—				
25000 6% Cumulative Preference Shares of £1 each	25000			
100000 Ordinary Shares of 10s. each	50000			
125000	£75000			
SUBSCRIBED and PAID-UP CAPITAL:—				
25000 6% Cumulative Preference Shares of £1 each, fully paid	25000 - -			
99875 Ordinary Shares of 10s. each fully paid	49937 10 -	74937	10	-
124875				
		£87997	4	11

COMPANY, LIMITED.

Months ended 31st August, 1909.

					Cr.
Rents Receivable				£38	6 11
Transfer Fees				6	5 -
Net Loss for twelve months on the Cycle Business	3914	17	6		
" " " " Engineering Business	1723	17	7	5638	15 1
			£	5683	7 -

31st August, 1909.

Assets.				£	s.	d.
Cash in hand				38	16	-
Sundry Debtors less Reserves				12333	-	1
Stock-in-Trade, certified by Messrs. Gilbert & Jenks				17093	7	4
Office Furniture, Fire Brigade Outfit, etc.:—						
At 31st August, 1908	640	11	1			
Add Expenditure in the twelve months	4	17	4			
	645	8	5			
Less Repairs and Depreciation for twelve months	37	6	3	608	2	2
Lease of London Depot, including Fixtures, Fittings, &c.				706	2	7
Loose Plant and Tools:—At 31st August, 1908	4424	15	2			
Add Expenditure in the twelve months	2076	17	10			
	6501	13	-			
Less Repairs and Depreciation for twelve months	1916	17	6	4584	15	6
Fixed Plant and Machinery:—At 31st Aug., 1908	14406	1	1			
Add Expenditure in the twelve months	1148	19	4			
	15555	-	5			
Less Repairs and Depreciation for twelve months	1298	11	7	14256	8	10
Freehold Land and Buildings.—At 31st Aug., 1908	21725	17	4			
Add Expenditure in the twelve months	316	10	1			
	22042	7	5			
Less Repairs written off	147	1	1	21895	6	4
Patterns and Drawings.—At 31st August, 1908	919	19	10			
Add Expenditure in the twelve months	612	14	4			
	1532	14	2			
Less Depreciation	174	3	2	1358	11	-
Initial Administration Charges in Opening up Engineering Business				311	13	4
Goodwill and Patents Account:—As at 31st August, 1908				10000	-	-
PROFIT & LOSS ACCOUNT:—						
Loss for the twelve months ended 31st Aug., 1909	5638	15	1			
Less Balance from previous Account	827	13	4	4811	1	9
			£	87997	4	11

MAYPOLE DAIRY COMPANY, LIMITED.

Balance Sheet, 25th December, 1909.

Liabilities.	£ s. d.	£ s. d.	Assets.	£ s. d.	£ s. d.
CAPITAL Issued:—			Cash at Bankers, on Deposit and Current Account, and in hand	50804 5 8	
350000 5% Cumulative Preference Shares of £1 each, fully paid	£350000		Money at short notice and on loan (secured by deposit of Scrip)	228390 14 7	279195 - 3
1800000 20% Cumulative Preferred Ordinary Shares of 5/- each, fully paid	450000		Investments:—		
1230000 Deferred Ordinary Shares of 2/- each, fully paid	123000	923000 - -	Guaranteed 2¾% Stock and other Trustee Securities (at market value) as per Schedule	45048 18 1	
Reserve Funds		160000 - -	Freehold and Long Leasehold Properties (less depreciation) as per Schedule	78388 14 9	
Provident Fund		5397 10 4	Short Leasehold Properties (less depreciation)		
Sundry Creditors:—			Japanese Government Stocks and other Investments	62632 17 -	186070 9 10
Open Accounts	141235 5 10		Stocks (at or below cost), as Certified by Managing Directors		366437 13 5
Bills Payable	4728 6 6	145963 12 4	Sundry Debtors		15563 2 8
PROFIT & LOSS ACCOUNT:—			Accounts paid in advance		2715 9 -
Balance transferred		211857 17 1	Goodwill and Trade Marks		422900 - -
			Branch Shops, Warehouses, Works, Machinery, Offices, Furniture, Fixtures, Fittings, Motor Waggons, etc., as at 26th December, 1908	227486 11 2	
			Net Additions to date	9512 2 5	
				236998 13 7	
			Less Depreciation	63661 9 -	173337 4 7
	£	1446218 19 9		£	1446218 19 9

650

Dr. Profit & Loss Account for the year ended 25th December, 1909. Cr.

	£ s. d.		£ s. d.
To Directors' Fees	4324 2 8	By Balance brought forward at 26th December, 1908	8083 10 1
,, Depreciation in value of Trustee Securities	313 12 11	,, Net Trading Profit, Rents received, and Interest for the year 1909	302713 10 2
,, Six months' Dividend at 5% per annum on Preference Shares paid 1st July, 1909	8750 - -	,, Transfer Fees	198 12 -
,, Six months' Dividend at 20% per annum on Preferred Ordinary Shares, paid 1st July, 1909	45000 - -		
,, Interim Dividend of 6d. per share on Deferred Ordinary Shares paid 1st July, 1909	30750 - -		
,, Reserve Fund	10000 - -		
,, Balance carried to Balance Sheet	211857 17 1		
	£ 310995 12 3		£ 310995 12 3

ALBERT BAKER & CO. (1898) Limited. Balance Sheet as at 1st January, 1910.

Liabilities.		£ s. d.	Assets.		£ s. d.
CAPITAL:—			Sundry Debtors	£1023 15 3	
200000 Shares of £1 each		200000 - -	Bills Receivable	174 3 3	
Sundry Creditors—			Insurance paid in advance	70 5 10	1268 4 4
On Open Accounts	£20353 19 2				
,, Bills Payable	1332 1 -	21686 - 2	Machinery, Plant, Leases, Fixtures, Fittings, Goodwill and Trade Marks as per last Balance Sheet	133263 7 1	
General Reserve Fund		14000 - -	*Less* Depreciation	2000 - -	131263 7 1
Unclaimed Dividends as per Contra		77 4 5			
PROFIT & LOSS ACCOUNT:—			Unclaimed Dividends as per Contra		77 4 5
Balance 1st January, 1909	£7464 16 8		Stock		103798 17 5
Add Profit for year	11746 14 3		Cash at Banks—		
	19211 10 11		Current Account	£2037 15 3	
Less 22nd and 23rd Dividends	11000 - -	8211 10 11	Deposit Account	5000 - -	7037 15 3
			Offices and Shops	529 7 -	7567 2 3
	£	243974 15 6		£	243974 15 6

Dr. Profit & Loss Account, 1st January, 1909 to 31st December, 1909. Cr.

	£ s. d.		£ s. d.
To Rent, Rates, Taxes, Insurance, Gas and Electric Light	20639 13 5	By Gross Profit	59929 17 5
,, Salaries and Wages	20070 9 3	,, Transfer Fees	50 5 -
,, Audit Fees and Law Charges	132 6 -		
,, Directors' Fees and Managing Director's Remuneration	500 - -		
,, Advertising and Petty Expenses	2813 10 10		
,, Repairs and Maintenance	2077 8 8		
,, Depreciation	2000 - -		
,, Net Profit	11746 14 3		
£	59980 2 5	£	59980 2 5

A. & F. PEARS, Limited.

Balance Sheet made up to 30th June, 1909.

Liabilities.	£ s. d.	£ s. d.
SHARE CAPITAL Authorised and Subscribed—		
20000 6% Cumulative Preference Shares of £10 each, fully paid	£200000	
320000 Ordinary Shares of £1 each, fully paid ...	320000	
	520000	
Debenture Stock (5 per cent.).....	200000	720000 - -
Trade and other Creditors		23218 1 4
Interest on Debenture Stock, half-year to date		5000 - -
Special Reserve Fund		5702 11 11
Reserve Fund		58500 - -
Depreciation and Leasehold Redemption Fund—	£ s. d.	
As at 30th June, 1908.....	94311 12 10	
Less amount written off.....	319 3 5	
	93992 9 5	
Further provision during the year.....	1188 2 -	95180 11 5
Unclaimed Dividends		391 1 2
PROFIT & LOSS ACCOUNT—		
Balance at Credit, as below.....	57576 10 7	
Profit undivided 1907-1908	9835 13 3	
	67412 3 10	
Deduct Interest on Debenture Stock...£10000		
,, Interim Dividend on Pref. Shs. 6000		
,, ,, ,, ,, Ord. ,, 12800	28800 - -	38612 3 10
	£	946604 9 8

Assets.	£ s. d.	£ s. d.
Goodwill of the Business in this Country, United States of America, Australia, and elsewhere, Freehold Land and Buildings, Leasehold Premises, Plant, Furniture, Fittings, and Works of Art, as at 30th June, 1908	514658 5 3	
Less amount written off.....	850 1 10	
	513808 3 5	
Expended during the year	661 4 9	514469 8 2
Trade and other Debtors	47569 19 5	
Bills Receivable	14757 17 11	62327 17 4
Stock-in-Trade, including Advertising, Stock, Horses, Vans, etc., as per Inventories		167098 7 3
Cash at Bankers on Deposit and Current Account, and in hand.....		27746 6 -
Investments (at cost).....		171962 10 11
viz. :—£120000 2½ per cent. Consols.		
£30000 2½ per cent. Metropolitan Consolidated Stock.		
£27760 the Company's 5 per cent. Debenture Stock.		
(There is at present a Depreciation in the market value of these Securities amounting on balance to £17875.)		
	£	946604 9 8

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Dr. Profit & Loss Account for the year ended 30th June, 1909. Cr.

To	£ s. d.	By	£ s. d.
Salaries, Rent, Rates, Taxes, Fire Insurance in London, Isleworth, New York, Chicago and Melbourne, Foreign Agencies, Repairs and Renewals, and General Expenses, Advertising, Directors' and Auditors' Fees, and Fees to Trustees for Debenture holders.....	107373 2 1	Balance of Trading Account after making provision for Bad and Doubtful Debts.....	161572 13 -
,, Depreciation and Leasehold Redemption Fund.....	1188 2 -	,, Interest on Investments and on Cash on Deposit.....	4565 1 8
,, Balance carried to Balance Sheet	57576 10 7		
	£166137 14 8		£166137 14 8

GOLDSMITHS & SILVERSMITHS COMPANY, LIMITED. Balance Sheet, 31st January, 1910.

		£ s. d.		£ s. d.
CAPITAL Authorised and Issued :—			Goodwill, Leases, Furniture and Fittings	447601 - 1
60000 Five per cent. Cumulative Preference Shares of £5 each, fully paid	300000		Sundry Debtors, less Reserve	83220 3 2
300000 Ordinary Shares of £1 each, fully paid	300000	600000 - -	Stock in hand as certified by Managers £208798 5 9	
Sundry Creditors		64948 3 7	Stationery, Advertising, Stock and Dies 1698 9 3	210496 15 -
Unclaimed Dividends		238 9 4	Investments :—	
Dividend accrued on Preference Shares, less Income Tax		4708 6 8	Colonial Government and other Securities, at cost	42012 10 10
Leases Redemption Fund		18174 5 4	Cash at Bankers and in hand	28244 12 8
Reserve under Article 122	£50000			
Additional Reserve	40000	90000 - -		
PROFIT & LOSS A/c.—Balance as per Appropriation A/c.		33505 16 10		
		£811575 1 9		£811575 1 9

Dr. Profit & Loss Account for the year ended 31st January, 1910. Cr.

	£ s. d.		£ s. d.
To Rent, Rates and Taxes, Salaries, Advertising, Stationery, Legal Charges, General and Travelling Expenses and Bad Debts written off	55279 12 7	By Gross Profit on Trading	97661 9 7
,, Provision for Redemption of Leases £2729 11 5		,, Interest on Investments and Deposits	1723 7 6
,, Depreciation of Fittings 537 18 4	3267 9 9	,, Transfer Fees	114 7 7
,, Directors' and Auditors' Fees	1341 11 6		
,, Income Tax	655 10 10		
,, Balance carried to Appropriation Account	38955 - -		
£	99499 4 8	£	99499 4 8

Dr. Appropriation Account for the year ended 31st January, 1910. Cr.

	£ s. d.		£ s. d.
To Final Dividend on Ordinary Shares at the rate of 7½% per annum for the six months ending 31st January, 1909	11250 - -	By Balance of Profit and Loss Account at 31st January, 1909, as per last Balance Sheet	37050 16 10
,, Transfer to Reserve	5000 - -		
,, Balance carried forward	20800 16 10		
£	37050 16 10	£	37050 16 10
To Dividend on Preference Shares for year ending 31st January, 1910	15000 - -	By Balance brought down	20800 16 10
,, Interim Dividend on Ordinary Shares at 7½% per annum for half-year ending 31st July, 1909	11250 - -	,, Profit for the year to date as per Profit & Loss A/c.	38955 - -
,, Balance carried to Balance Sheet	33505 16 10		
£	59755 16 10	£	59755 16 10

THE MAZAWATTEE TEA COMPANY, LIMITED.

Balance Sheet, 21st December, 1909.

Authorised Capital			1000000	-	-	
CAPITAL ISSUED:—						
80000 5% Cumulative Preference Shares of £5 each		400000				
350000 Ordinary Shares of £1 each		350000	750000	-	-	
4½% Mortgage Debenture Stock			200000	-	-	
Loans against Securities			70000	-	-	
Sundry Creditors			21909	16	3	
Guarantors of Lease Indemnity Fund			400	-	-	
Reserve			51000	-	-	
Advertising Reserve			6500	-	-	
PROFIT & LOSS ACCOUNT			47422	-	9	
		£	1147231	17	-	

Trade Marks and Goodwill at Cost	382628	14	4
Freehold Land, Leases, Factories and Offices at New Cross and Tower Hill (less depreciation off Leases)	101598	14	9
Plant, Machinery and Fixtures at New Cross and Tower Hill (less depreciation)	58683	16	10
Stock of Tea, Coffee, Cocoa and Sundry Materials on hand as per certified Stock Sheet	130963	19	-
Stamp Duty on Capital unissued	560	17	6
Sundry Debtors (less Reserve against Discounts) and Deposits on Tea	128883	12	1
Bills Receivable in hand	5725	14	4
Investments in British and Colonial Government Securities, London County and Railway Preference Stocks at cost (Market value at 21st Dec., £63355)	70652	4	7
Expenditure in connection with the Establishment of a Direct Trading Business (which has been abandoned)	263758	19	2
NOTE.—No provision has been made for Contingent Liabilities in respect of Properties sub-leased.			
Cash at Bankers and in hand	3775	4	5
£	1147231	17	-

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Dr. Profit & Loss Account for the year ending 21st December, 1909. Cr.

To Managing Director's and Chairman's Remuneration and Directors' Fees			2300	-	-	
,, Remuneration of Trustees for Debenture Stock Holders			210	-	-	
,, Secretarial and Legal Charges			1173	13	9	
,, Depreciation and Income Tax			7634	5	7	
,, Interest on Loans			2361	2	2	
,, Interest on Debentures			8021	17	6	
,, Guarantors of Lease Indemnity Fund			400	-	-	
,, Balance carried to Balance Sheet			47422	-	9	
		£	69522	19	9	

By Amount brought forward from Profit and Loss Account, 1908			39521	8	1	
Less Dividend paid Mar., 1909—Preference...	13300					
Dividend paid September, 1909—Preference...	5700		19000	-	-	
			20521	8	1	
,, Transfer Fees			72	-	-	
,, Dividends and Interest on Investments			2217	17	10	
,, Profit from Trading Account			46711	13	10	
		£	69522	19	9	

THE VEGETARIAN RESTAURANTS COMPANY, LIMITED.

Balance Sheet, 31st July, 1909.

Liabilities.	£	£ s. d.
NOMINAL CAPITAL—		
15000 Shares Ordinary £1 each	15000	
5000 5½% Cumulative Preference Shares of £1 each	5000	20000 - -
SUBSCRIBED CAPITAL—		
2866 Ordinary Shares £1 each fully paid	2866	
2000 5½% Cumulative Preference Shares £1 each fully paid ..	2000	4866 - -
Sundry Creditors 667 2 9½		
Rents, &c., accrued..... 61 - 10		728 3 7½
Bank Overdraft		21 17 2
The unpaid Dividends on the Cumulative Preference Shares to July 31st, 1909, amount to £227 13 10.		
	£	5616 - 9½

Assets.	£ s. d.	£ s. d.
Plant Account—		
Fountain St., as at July 31st, 1908	3982 11 7	
Additions to date	173 8 -	
	4155 19 7	
Less Depreciation	103 18 -	4052 1 7
Old Millgate, as at July 31st, 1908	656 18 5	
Additions to June 30th, 1909..	16 4 -	
	673 2 5	
Less Sales	151 5 9	
Loss on Realization	521 16 8	
Suspense Account—		
Loss on Realization of Plant at Old Millgate, as above		521 16 8
Stock of Provisions, &c.		332 11 9
Sundry Debtors		21 5 5
Rates, &c., charged in advance		162 3 2
Cash in hand		15 10 6½
PROFIT & LOSS ACCOUNT—		
Balance at 31st July, 1908	251 17 11	
Loss on 12 months working 124 1 1		
Add Bonus to Servants 30 14 8		
Add Depreciation .. 103 18 -	258 13 9	510 11 8
	£	5616 - 9½

THE CASTNER-KELLNER ALKALI COMPANY, Limited.

Dr. Profit & Loss Account for the year to 30th September, 1909. Cr.

	£ s. d.		£ s. d.
To Directors', Trustees' and Auditors' Fees £2255 14 3		By Balance of Trading Account	137452 6 2
,, Rent, Salaries, Legal Charges, and Head Office Expenses ..... 1186 12 -	3442 6 3	,, Transfer Fees.....	144 15 -
,, Balance carried down.....	134154 14 11		
£	137597 1 2	£	137597 1 2
To Debenture Interest	9313 4 11	By Balance brought down...	134154 14 11
,, Balance carried to Balance Sheet	124841 10 -		
£	134154 14 11	£	134154 14 11

Balance Sheet on 30th September, 1909.

Liabilities.	£ s. d.	Assets.	£ s. d.
CAPITAL Subscribed—		Purchase of Patents	125000 - -
450000 Shares of £1 each, fully paid	450000 - -	Land, Buildings, Plant and Machinery	537180 3 7
4½ per cent. First Mortgage Debenture Stock—		Purchase of Aluminium Company, Ltd.....	189491 14 2
Issued £250000		Sundry Debtors.....	28875 18 8
Less redeemed 44631		Stock of Raw and Manufactured Materials ...	86912 1 1
205369		Investments (General Reserve A/c.)	12500 - -
Add Accrued Interest 1540	206909 - -	Other Investments	24921 19 10
Creditors	44329 18 2	Office Furniture and Fittings	474 - -
Unclaimed Dividends	133 13 4	Cash at Bankers and in hand.....	60625 8 10
Depreciation Reserve Account	190000 - -	Bills Receivable.....	4231 15 4
General Reserve Account.....	12500 - -	Suspense Account.....	1870 10 6
PROFIT & LOSS ACCOUNT—			
Balance from last Account..... £15369 10 6			
Add Balance for year to date ..... 124841 10 -			
140211 - 6			
Less Interim Dividend to 31st March, 1908... 22500 - -	117711 - 6		
£	1021583 12 -	£	1021583 12 -

G. W. BALFOUR, }
G. H. CLARKSON, } *Directors.*

REPORT of the AUDITORS to the Shareholders of The Castner-Kellner Alkali Company, Limited.

In accordance with the provisions of Section 113 of the Companies (Consolidation) Act, 1908, we report to the Shareholders as follows :—

1. We have audited the above Balance Sheet and have obtained all the information and explanations we have required.

2. We are of opinion that such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company.

36 Walbrook, London, E.C., 11th November, 1909.

C. F. KEMP, SONS & CO., *Auditors.*

HOPE BROTHERS, LIMITED. Balance Sheet 31st August, 1909.

Capital & Liabilities.	£ s. d.	£ s. d.	Assets.	£ s. d.	£ s. d.	£ s. d.
CAPITAL authorised and issued ..	600000 - -		Cash at Bank on			
300000 5½ per cent. Cumulative Preference Shares of £1 each, fully paid £300000			Current Accounts 7418 10 7			
300000 Ordinary Shares of £1 each fully paid... 300000			On Deposit.....17050 - -	24468 10 7		
			In hand	2287 4 10	26755 15 5	
Sundry Creditors on Open Account (including £1977 8 5 Benevolent Fund)	23279 2 6		Sundry Debtors, *less* Reserve for bad and doubtful debts		4237 5 7	
Unclaimed Dividends	102 12 11		Stock at or under cost as per certificates of the Company's Officials		175301 - 1	
Sinking Fund for Redemption of Leases.....	8464 12 -		Freehold, Copyhold and Leasehold Premises, Shop Fittings, Fixtures, &c., as on 31st August, 1908, with alterations and additions since made 209344 6 1			
Special Reserve Account, not divisible ..... £11798 - 6			*Less* written off Alterations, &c., and for Depreciation of Shop Fittings, Fixtures, &c.	5240 5 5	204104 - 8	
Reserve Fund .... 19000 - -	30798 - 6		Goodwill		275072 16 6	
PROFIT & LOSS ACCOUNT—			Rent, Rates and Taxes, Insurance, &c., paid in advance		2455 15 1	
Amount brought forward from previous year 4260 9 3						
Add Balance as per Profit & Loss A/c., being Net Profit for year to date 35271 16 2						
	39532 5 5					
Less Interim Dividends paid—						
On Preference Shares £8250						
On Ordinary Shares 6000	14250 - -	25282 5 5				
	£	687926 13 4		£		687926 13 4

Dr. Profit & Loss Account for the year ending 31st August, 1909. Cr.

	£ s. d.		£ s. d.
To Directors' Fees.....	895 16 8	By Profit after payment of Expenses and after provision for Depreciation and Sinking Fund for Redemption of Leases	44591 17 5
,, Salaries of Managing Directors and Directors	2733 6 8		
,, Audit Fee	400 - -		
,, Advertising	5290 17 11		
,, Balance, being net profit for the year as per Balance Sheet	35271 16 2		
	£ 44591 17 5		£ 44591 17 5

JOHN CROSSLEY & SONS, LIMITED. Balance Sheet, 4th December, 1909.

Liabilities.	£ s. d.	£ s. d.	Assets.	£ s. d.
CAPITAL—			Freeholds, Plant, Stock-in-Trade, Book Debts, Minerals, &c., including amount of Interim Dividend paid 5th August, 1909, per contra ...	1164184 11 7
118797 Cumulative 5% Preference Shares, £5 each fully paid £593985				
118797 Ordinary Shares, £2 each fully paid £37594	831579 - -			
Reserve Fund	207000 - -			
Liabilities, Book Debts, &c.	85348 10 -			
PROFIT brought forward from last year's account £992 17 3				
Profit from 5th December, 1908, to this date 39264 4 4	40257 1 7			
	£1164184 11 7			£1164184 11 7
To Interim Dividend on Preference Shares paid 5th August, 1909	14849 12 6		By Balance brought down	40257 1 7
,, Proposed Dividend of 2/6 per Share on the Preference Shares, which, with the Interim Dividend of 2/6 per Share, paid 5th August, 1909, is equal to 5% per annum for the past year	14849 12 6			
,, Proposed Dividend of 1/8 per Share on the Ordinary Shares	9899 15 -			
,, Amount proposed to be carried to next year's account	658 1 7			
	£40257 1 7			£40257 1 7

EDWIN WALKER & COMPANY, LIMITED. Balance Sheet, 31st July, 1909.

Capital & Liabilities.		£ s. d.	Assets.	£ s. d.
NOMINAL CAPITAL, £100000 divided into— 2000 6% Cumulative Preference Shares of £10 each and 8000 Ordinary Shares of £10 each.			Book Debts, Bills Receivable, Cash in Bank and in hand, Investments, &c....	34794 3 10
Issued—			Plant and Machinery, Warehouse and Office Furniture, Stock-in-Trade, Goodwill, &c.	65283 4 4
2000 Preference Shares fully paid up	20000 - -			
5007 Ordinary Shares fully paid up	50070 - -	70070 - -		
First Mortgage Debentures bearing 4½% interest		20000 - -		
Sundry Creditors		3553 6 10		
Reserve Fund		4600 - -		
PROFIT & LOSS A/C.:—				
Balance from last year's account	150 8 -			
Profit for the year	5256 12 -			
	5407 - -			
Less—Income Tax ..... 116 8 -				
Directors' Remuneration ..... 1400 - -				
Interest on Debentures to 31st July, 1909 899 17 4				
Dividend on Preference Shares for twelve months to 31st July, 1909 ..... 1136 13 4	3552 18 8	1854 1 4		
	£	100077 8 2		£100077 8 2

LEVER BROTHERS, LIMITED. Balance Sheet 31st December, 1909.

Liabilities.		£ s. d.	Assets.	£ s. d.
SHARE CAPITAL, Authorised—			Cash at Bankers and in hand	188711 7 10
200000 5% first Preference Shares of £10 each	£2000000		Debentures and Shares of Associated Companies and Investments	2828306 9 5
100000 5% "A" Preference Shares of £10 each.....	1000000		Debtors.....	362725 8 -
100000 6% "B" Preference Shares of £10 each	1000000		Stock less Advertising Reserve	810589 16 1
200000 Ordinary Shares of £10 each	2000000		Freehold Works, Premises and Plant	2190224 4 6
	£6000000		Leasehold Premises and Plant	108888 17 7
Issued—			Interim Dividends paid and other amounts written off below..... ..	254094 10 8
5% first Preference Shares 200000 fully paid		2000000 - -		
5% "A" Preference Shares 100000 fully paid		1000000 - -		
6% "B" Preference Shares 25000 fully paid		250000 - -		
Ordinary Shares 175000 fully paid	£1750000 - -			
25000 £4 paid	100000 - -	1850000 - -		
		5100000 - -		
Reserve Fund	324641 16 5			
Depreciation Fund	292882 13 11			
Insurance Reserve	38451 14 7	655976 4 11		
Creditors—Bills Payable	154975 5 -			
Open Accounts	287106 14 -	442081 19 -		
Note.—There are contingent liabilities on bills discounted and on account of Associated Companies and for calls on shares. No loss is anticipated upon any of these Accounts.				
PROFIT & LOSS ACCOUNT:—				
Balance carried down for the year ending 31st December, 1909, including Interest £32952 - 6 charged Prosperity Sharing Account ...		545482 10 2		
	£	6743540 14 1	£	6743540 14 1
To Repairs, Renewals and Alterations		44923 2 3	By Balance brought down	545482 10 2
,, Depreciation Fund.....		48851 19 4		
,, Insurance Reserve		9160 17 3		
,, Prosperity Sharing with Employees including Village Institutions Account and Dividend on Co-Partnership Certificates		42434 6 5		
,, Dividend on 5% first Preference Shares		100000 - -		
,, Dividend on 5% "A" Preference Shares.....		50000 - -		
,, Dividend on 6% "B" Preference Shares.....		15000 - -		
,, Dividend on Ordinary Shares at the rate of 12½ per cent. per annum.		231250 - -		
,, Balance carried to Reserve Fund		4362 4 11		
	£	545482 10 2	£	545482 10 2

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J. LYONS &
Balance Sheet,

Capital and Liabilities.

	£ s. d.	£ s. d.	£ s. d.
CAPITAL Authorised—			
400000 Ordinary Shares of £1 each		400000 - -	
500000 £5 per cent. Cumulative Preference Shares of £1 each		500000 - -	
		£900000 - -	
CAPITAL Issued—			
331000 Ordinary Shares of £1 each, fully paid			331000 - -
500000 £5 per cent. Cumulative Preference Shares of £1 each fully paid			500000 - -
LIABILITIES—			
First Mortgage Debenture Stock at £4 per cent.		300000 - -	
Accrued Interest on ditto, less tax		2850 - -	
£4½ per cent. Debenture Stock		125000 - -	
Accrued Interest on ditto, less tax		1335 18 9	
Trade and other Creditors, and Credit Balances		137365 - 4	
Dividends unclaimed		529 18 4	567080 17 5
RESERVE			480000 - -
PROFIT & LOSS ACCOUNT—			
Balance as per last Account		121267 13 8	
Less Final Dividend on Ordinary Shares for half-year ending March 31st, 1908, at the rate of £40 per cent. per annum	66200 - -		
Transferred to Reserve	40000 - -		
Proportion of Preference Share Dividend to 31st March, 1908	8333 6 8	114533 6 8	
		6734 7 -	
Balance from Account for the year ending 31st March, 1909		202773 14 8	
		209508 1 8	
Less Preference Dividend from date of last Balance Sheet to 30th November, 1908	16666 13 4		
Interim Dividend on Ordinary Shares already paid for half-year ending 30th September, 1908, at the rate of £25 per cent. per annum	41375 - -	58041 13 4	151466 8 4
			£2029547 5 9

Dr. **Profit & Loss Account** for

	£ s. d.
To Salaries, Wages, Rents, Rates, Repairs, Maintenance, Horsekeep and other Expenses	681454 4 11
,, Balance carried down	287851 11 11
	£969305 16 10
To Depreciation	67452 17 3
,, Debenture Stock Interest	17625 - -
,, Balance carried to Balance Sheet	202773 14 8
	£287851 11 11

COMPANY, Limited.

31st March, 1909.

Property and Assets.	£ s. d.	£ s. d.
Freehold Land and Buildings and Leasehold Premises, Fixtures, &c., as last year (after depreciation) and subsequent outlay, including expenditure on uncompleted works	1125380 14 2	
Less Estimated Depreciation for the year	22010 - 6	1103370 13 8
Outlay for sundry installation expenses	9245 16 4	
Less written off	4261 - 4	4984 16 -
Goodwill, as per last Account		39189 10 -
Stock-in-Trade as per Inventories, &c., at cost or under		247946 10 1
Sundry Debtors (after providing for bad and doubtful debts and other debit balances		54754 1 4
Insurances, Rents, &c., paid in advance, and Deposits on Stocks in Bond		42778 14 11
Plant, Machinery, Fittings, Ovens, &c., as last year (after depreciation) and subsequent outlay	299222 17 9	
Less Estimated Depreciation for the year	45442 16 9	253780 1 -
Sundry Investments and Secured Loans and Interest accrued after providing an Estimated Depreciation		202918 17 -
Cash at Bankers on Current and Deposit Account, and in hand		79824 1 9
		£2029547 5 9

the year ending 31st March, 1909. **Cr.**

	£ s. d.
By Gross Profit on Trading, &c., after deducting special Exhibition Expenses, to 31st March, 1909	962734 8 -
,, Interest and Transfer Fees, &c.	6571 8 10
	£969305 16 10
By Balance being Profit for the year ending 31st March, 1909	287851 11 11
	£287851 11 11

WILLIAM WHITELEY,

Dr. **Profit & Loss Account,**

	£ s. d.	£ s. d.
To Depreciation :—		
On Machinery, Plant, &c.	7085 - -	
,, Horse Renewals Account	1849 15 6	
,, Leasehold Buildings	1771 4 -	10205 19 6
,, Directors' and Auditors' Fees and Trustees' Remuneration		3467 10 -
,, Income Tax Account		700 - -
,, Balance carried to Balance Sheet		93579 15 10
		£107953 5 4

Balance Sheet,

Liabilities.	£ s. d	£ s. d.
SHARE CAPITAL :—		
4½% Cumulative Preference Shares	450000 - -	
Ordinary Shares	450000 - -	
Management Shares	100 - -	900100 - -
4 per cent. First Mortgage Irredeemable Debenture Stock		900000 - -
Interest accrued on Debenture Stock		16620 - -
Deposits and Current Accounts (Banking Department)		107642 - 3
Trade and other Creditors	85428 12 6	
Accrued Charges and Sundry Credit Balances	14090 14 5	99519 6 11
Reserve Account		90000 - -
Special Reserve in respect of Hanworth properties		40000 - -
PROFIT & LOSS A/c :—		
Balance from 14th February, 1909	15477 9 4	
Balance for year, as above	93579 15 10	
Less—	109057 5 2	
Interest on Debenture Stock for the year £35000 - -		
Dividend on Preference Shares for first six months	10125 - -	
Amount carried to Reserve A/c	10000 - -	
Amount added to Reserve against Depreciation of Investments	598 8 3	56723 8 3 52333 16 11
		£2206215 4 1

LIMITED.

Year to 14th February, 1910. **Cr.**

	£	s.	d.
By Profit on Trading Account after making provision for Bad and Doubtful Debts	93534	10	10
,, Rents Receivable Account	5362	14	11
,, Dividends on Investments	5388	13	7
,, Interest	3019	6	-
,, Transfer Fees	648	-	-
	£107953	5	4

14th February, 1910.

Assets.	£	s	d.	£	s.	d.
Freehold Land and Buildings				958569	11	7
Leasehold Buildings, Goodwill, &c., Amount at 14th February, 1909	279246	13	7			
Less Depreciation of Leasehold Buildings for the year.	1771	4	-	277475	9	7
Plant, Machinery, Fixtures, Fittings, &c. (including Glass Houses at Hillingdon Nurseries, and Growing Fruit Trees at Hanworth Farm), as per last Balance Sheet	171017	17	4			
Additions during year	3477	14	11			
	174495	12	8			
Deduct Depreciation applicable to this account for the year £7085 - -						
Working Plant transferred 1845 - -	8930	-	-	165565	12	8
Working Plant and Utensils Account				33668	11	7
Horses, Harness, Motor Vans and Vehicles, as per Inventories and Managers' Valuations				24605	-	6
Advances on Mortgage				33223	-	-
Stock-in-Trade, at cost or under, as certified by Managers				243649	19	6
Book Debts and Sundry Debit Balances, including Debts on Deferred Payments, less reserve for Discounts and Doubtful Debts				247119	1	11
Investments, at cost or under, viz. :—						
Colonial and Foreign Government and Corporation Stocks	40335	3	-			
Foreign Railway Debentures and Stocks	40265	16	3			
Debenture Stocks and Shares of Investment, Electric Light, and Industrial Companies	53066	15	10			
	133667	15	1			
Deduct Amount in reserve against Depreciation	8500	-	-	125167	15	1
Cash at Bankers and in hand				97171	2	1
				£2206215	4	1

WILLIAM WHITELEY, LIMITED.

Directors—

WILLIAM WHITELEY, *Chairman.* JOHN LAWRIE, *General Manager.*
CHARLES T. BAZELL. HENRY MASON.
COURTAULD THOMSON. FRANK E. WHITELEY.

Secretary and **Offices**—

F. G. DANN, 39 Westbourne Grove, W.

REPORT OF THE DIRECTORS & STATEMENT OF ACCOUNTS

To be submitted to the Twelfth Ordinary General Meeting of the Members to be held at 147 Queen's Road, London, W., on Thursday, the 7th day of April, 1910, at 12 o'clock noon.

The Directors herewith submit their Report and the Accounts for the year ended 14th February, 1910.

It will be seen from the Profit and Loss Account that the Profit on Trading Account amounts to £93534 10s. 10d. To this sum must be added the receipts from Rents Receivable, Dividends on Investments, Interest and Transfer Fees, bringing up the total to the credit of Profit and Loss Account to £107953 5s. 4d. Against this are charged Depreciation for the year, Directors' and Auditors' Fees and Trustees' Remuneration and Income Tax, leaving a balance of profit of £93579 15 10

To this figure must be added the balance from the previous year..... 15477 9 4

Making the total balance of Profit.... £109057 5 2

The Interest on the Debenture Stock for the year requires £36000, and the Dividend on the 4½ per cent. Preference Shares for the first half-year absorbs £10125.

The Directors have placed a further sum of £10000 to the Reserve Account, bringing up the amount to £90000. They have also added a sum of £598 8s. 3d. to the Reserve against Depreciation of Investments, making up the amount to £8500.

After deducting the above amounts there remains a balance of £52333 16s. 11d., which the Directors recommend should be appropriated as follows:—

To pay the Dividend of 4½ per cent. per annum on the Preference Shares for the second half-year ..	£10125	-	-
To pay a Dividend, at the rate of 5½ per cent. per annum, on the Ordinary Shares for the year	24750	-	-
To pay the proportion of Profit due to the Management Shares	2006	15	-
To carry forward the balance of	15452	1	11
	£52333	16	11

The retiring Directors are Mr. William Whiteley and Mr. Henry Mason, who, being eligible, offer themselves for re-election.

The Auditors, Messrs. Turquand, Youngs & Co., also offer themselves for re-election.

39 Westbourne Grove,
London, W.,
22nd March, 1910.

WILLIAM WHITELEY,
C. T. BAZELL,
} *Directors.*

F. G. DANN, *Secretary.*

THE SAVOY HOTEL, Limited.

Profit & Loss Account for the year ending 31st December, 1909.

(Including the Grand Hotel, Rome, for the 1908-9 Season, and the other undertakings owned by the Company.)

	£	s.	d.		£	s.	d.
To Consumption of Provisions, Wines, Spirits, Cigars, etc.	204253	15	8	By Hotel and Restaurant Receipts	569344	6	8
,, Wages, Salaries, Electric Light, Fuel, Rent, Rates and Taxes, Repairs and Renewals, Washing, Advertising, Music, Stationery, Liveries, Insurance, Trustees' and Directors' Fees (including Fees for Claridge's), Professional charges, etc.	231027	1	4	,, Rents Receivable, Advertisement Letterings, Electric Light Supply, Interest, &c.	29355	2	1
				,, Transfer Fees	56	10	-
,, Balance	163475	1	9				
	£598755	18	9		£598755	18	9
To Interest on Debenture Issues, Mortgages, etc.	95159	6	4	By Balance brought down	163475	1	9
,, Sinking Fund for Redemption of Mortgage on Grand Hotel, Rome 1929 11 2							
,, Sinking Fund for Redemption of Mortgages on Berkeley Hotel ... 2781 1 7							
,, Sinking Fund for Redemption of Mortgage on Claridge's Hotel . 3839 19 11							
,, Sinking Fund for Five-and-a-half per cent. Redeemable Debentures 5250 - -							
,, Reserve for Doubtful Debts ..... 2000 - -							
,, Depreciation of Machinery..... 2500 - -							
,, Special Improvements ..... 2100 - -							
,, General Reserve..... 15000 - -	35400	12	8				
,, Balance carried to Balance Sheet	32915	2	9				
	£163475	1	9		£163475	1	9

Approved on behalf of the Board, R. D'OYLY CARTE, *Chairman.*
G. REEVES-SMITH, *Managing Director.*
A. G. WARD, *Secretary.*

Auditors' Report to the Shareholders of The Savoy Hotel, Ltd.

We have examined the books and accounts of the Company for the year ending 31st December, 1909, and have obtained all the information and explanations we have required.

In our opinion the above Balance Sheet is properly drawn up, so as to exhibit a true and correct view of the state of the Company's affairs, at 31st December, 1909, according to the best of our information and the explanations given us, and as shown by the books of the Company.

5, London Wall Buildings, London, E.C., *21st March, 1910.*

DELOITTE, PLENDER, GRIFFITHS & CO.,
Chartered Accountants (Auditors).

THE SAVOY

Balance Sheet,

	£ s. d.	£ s. d.
SHARE CAPITAL, Authorised—		
25000 Seven per cent. Preference Shares of £10 each	250000 - -	
37500 Ordinary Shares of £10 each	375000 - -	
62500 Shares	£625000 - -	
Issued—		
25000 Seven per cent. Preference Shares of £10 each	250000 - -	
30780 Ordinary Shares of £10 each	307800 - -	557800 - -
55780 Shares		
DEBENTURES AND MORTGAGES—		
Four per cent. Perpetual Debenture Stock	400000 - -	
Five per cent. Debentures (1893).....	125000 - -	
Five per cent. Debentures (1896) of the Savoy Hotel, Ltd., and the London and Foreign Hotel Syndicate Ltd.	140000 - -	
Five per cent. (Strand) Debenture Stock	482000 - -	
Mortgage on East Block, Strand..	300000 - -	
Mortgage on West Block, Strand	100000 - -	
Mortgage on Grand Hotel, Rome ... 100000 - -		
Less amount repaid 22350 10 6	77649 9 6	
Five-and-a-half per cent. Redeemable Debentures..... 150000 - -		
Less Debentures purchased and cancelled ..... 28400 - -	121600 - -	
Six per cent. Redeemable Debentures, amount received on account of allotment of £60000	25407 14 -	1771657 3 6
NOTE—The Trustees had £40 12s. 2d. in hand at 31st Dec., 1909, for further purchases of 5½ per cent. Debentures.		
RESERVES AND MORTGAGE AND LOAN REDEMPTION FUNDS—		
General Reserve	42500 - -	
Add Transfer from Profit and Loss, 1909	15000 - -	
	57500 - -	
Mortgage and Loan Redemption Funds (Grand Hotel, Rome).....	24018 2 3	
Redemption Fund for Five-and-a-half per cent. Redeemable Debentures	28440 12 2	109958 14 5
CREDITORS & LOANS—including accrued Int.		123663 - 5
PROFIT AND LOSS ACCOUNT—Undivided Profit at 31st December, 1908	7839 5 5	
Balance, 1909.....	32915 2 9	
	40754 8 2	
Deduct Interim Dividends paid	16445 - -	24309 8 2
		£2587388 6 6

HOTEL, LIMITED.

31st December, 1909.

	£ s. d.	£ s. d.
SAVOY HOTEL.—Cost of Freehold Land, Buildings, Furniture and Fittings, Electric Light Installation, Linen, China, Glass, Redemption of Land Tax, etc. Freehold of Strand Properties, Leasehold Interests, Licences and Expenditure on Buildings, Plant, Machinery, &c., as per Accounts at 31st Dec., 1906	1859450 10 7	
Add Expenditure in 1907 and 1908	27806 11 9	
	1887257 2 4	
Less Written off out of Reserves, etc., in 1907 and 1908	59606 16 9	
As per Accounts 31st Dec., 1908	1827650 5 7	
Add Expenditure to 31st Dec., 1909, on Annexe, Restaurant Balcony, Ladies' Reading and Writing Room, Formation of New Suites, New Well, Furniture, &c.	20234 17 5	
	1847885 3 -	
Deduct final Dividend on Realisation of Investment in Worcester Buildings Co., Ltd. 8799 9 3		
Less Commission, Discount and Expenses on issue of 6 per cent. Redeemable Debentures 1954 13 6		
	6844 15 9	
Sale of Land, Savoy Buildings 3000 - -		
Depreciation of Machinery 2500 - -		
	12344 15 9	
		1835540 7 3
GRAND HOTEL, ROME (Freehold) Cost of Undertaking and Assets of the London and Foreign Hotel Syndicate, Limited	225530 - -	
Add Expenditure since acquisition	47724 6 7	
		273254 6 7
CLARIDGE'S HOTEL (Leasehold; Lease expires 1989)—Cost of Share Capital of New Claridge's Hotel, Limited (There are mortgage charges on this Property for £212218 15s. 4d., of which £187218 15s. 4d. is guaranteed by the Savoy Hotel, Ltd. A Sinking Fund is in operation to redeem £187218 15s. 4d. in 1936. Since the Shares were acquired further Capital Expenditure, amounting to £12321 5s. 7d. has been made.)		180000 - -
BERKELEY HOTEL (Leasehold; Lease expires 1959)—Cost of £70000 Preference and £60000 Ordinary Share Capital of Berkeley Hotel Co., Ltd. (There are mortgage charges on this property guaranteed by the Savoy Hotel, Limited, for £88940 14s. 9d., originally £100000, and for £22275, originally £30250. Sinking Funds are in operation to redeem the Balances of the £100000 in 1940, and £30250 in 1926. Since the Shares were acquired further Capital Expenditure on account of Extensions amounting to £6838l 8s. 7d. has been made.)		100000 - -
Stocks and Debtor Balances after providing for Doubtful Debts		110205 4 9
Temporary Investment at Cost		9103 18 6
Cash at Bankers, in hand and with Trustees		79284 9 5
		£2587388 6 6

THE CUNARD STEAM SHIP COMPANY, LIMITED.

Dr. Revenue A/c., for the year ended 31st December, 1909. Cr.

Expenditure.	£ s. d.	Income.	£ s. d.
To Working Expenses for the year:—		By Passage-Moneys, Freights, Mail-Moneys, &c.	2820577 12 9
Coals, Wages, Superannuation Fund, Provisions, Ship and Engine Stores, Port and General Charges	1755044 11 11	,, do. do. Through Charges repaid by the Company.....£541856 - 5	
,, Office and Agency Expenses at Home and Abroad	99002 13 8		
,, Charitable Subscriptions and Donations	316 9 1		
,, Law Expenses	2848 6 4		
,, Directors' Fees	5000 - -		
,, Auditors' Fees	735 - -		
,, 2¾% Mortgage Debenture Stock Trustees' Fees	630 - -		
,, 4½% Mortgage Debenture Stock Trustees' Fees	420 - -		
	1863997 1 -		
To Repairs and Renewals:—			
Amount of Repairs and Maintenance of Fleet	210101 11 10		
,, Insurance:—			
Amount of Premiums paid	97062 3 10		
,, Profit and Loss Account:—			
Balance transferred	649416 16 1		
	£2820577 12 9		£2820577 12 9

Dr. Profit & Loss A/c., for the year ended 31st December, 1909. Cr.

	£ s. d.		£ s. d.
To Income Tax	175 3 8	By Balance from 1908	3582 6 8
,, Interest—General Account	4906 15 1	,, Revenue Account—Balance transferred	649416 16 1
,, do. on 2¾% Mortgage Debenture Stock	67489 2 11	,, Sundry Receipts	11003 10 -
,, do. on 4½% Mortgage Debenture Stock and part cost of issue and of Discount written off	61360 19 8		
,, Depreciation of Ships—Amount transferred	370320 8 4		
,, ,, of Wharf, Properties, &c.—Amount transferred	6163 9 8		
,, Insurance Fund—Amount transferred	66598 9 8		
,, Reserve Fund—Amount transferred	80000 - -		
,, Balance carried down	6988 3 9		
	£664002 12 9		£664002 12 9

Dr. Insurance Fund. Cr.

1909.	£ s. d.	1909.	£ s. d.
Dec. 31. To Claims and Expenses	66598 9 8	Jan. 1. By Balance from 1908	400000 - -
,, ,, Balance	400000 - -	Dec. 31. ,, Profit & Loss	66598 9 8
	£466598 9 8		£466598 9 8

Dr. Reserve Fund. Cr.

1909	£	1909	£
Dec. 31—To Balance	230000	Jan. 1—By Balance from 1908	150000
		Dec. 31— ,, Profit & Loss	80000
	£ 230000		£ 230000

General Balance Sheet, 31st December, 1909.

Liabilities.	£ s. d.	£ s. d.
SHARE CAPITAL:—Authorised,		
100000 Shares of £20 each £2000000		
The Government Share 20		
£2000020		
SUBSCRIBED,		
60000 Shares of £20 each, fully paid 1200000		
40000 Shares of £20 each, £10 paid 400000		
The Government Share issued pursuant to powers conferred by the Articles of Association 20	1600020 - -	
RESERVES:—		
Insurance Fund 400000		
Reserve Fund 230000	630000 - -	
2¾% Mortgage Debenture Stock held by Government	2340000 - -	
Interest accrued (since paid)	32175 - -	
4½% Mortgage Debenture Stock	1600000 - -	
Sundry Creditors (including amount received for pre-paid Passage Moneys)	348333 - 10	
Bills Payable (chiefly on account of New Ship) ...	68099 1 3	
PROFIT & LOSS ACCOUNT—Balance	6988 3 9	
Note.—There is a liability on Contract for new Steam Ship.		
£	6625615 5 10	

Assets.	£ s. d.	£ s. d.
Reduced Book Value of Fleet at 31st December, 1908	5808624 - -	
Add Amount on account of New Steam Ships, &c	107091 8 4	
	5915715 8 4	
Less Book Value of "Lucania," "Slavonia," and Ships sold ...	279564 - -	
	5636151 8 4	
Deduct Depreciation for year 1909	3703 0 8 4	5265831 - -
Reduced Book Value of Wharf Properties, Engine Works, Erections, Plant, Fixed Machinery, Furniture, Moorings, and Freehold Offices, Cockspur St., London, 31st Dec., 1908	156751 - -	
Less Sundries during year... ...	287 10 4	
	156463 9 8	
Deduct Depreciation for year 1909	6163 9 8	150300 - -
Movable Plant and Machinery, Stocks of Wharf Materials, Stores and Coals		96925 7 2
Ships' Pending Voyages		62950 8 -
Freight, Forwarding and other Charges outstanding		23248 - -
Sundry Debtors (including Agents and Branch Balances)		161429 15 4
Discount on Mortgage Debenture Stock, *Less* Proportion written off...		94148 2 5
£250000 Company's 4½% Mortgage Debenture Stock		250000 - -
Cash in hand, at Bankers and on Deposit		336344 6 10
Cash at Bankers in names of the Trustees for the Mortgage Debenture Stock Holders		184438 6 1
£		6625615 5 10

THE IMPERIAL TOBACCO COMPANY

Balance Sheet on

Liabilities.

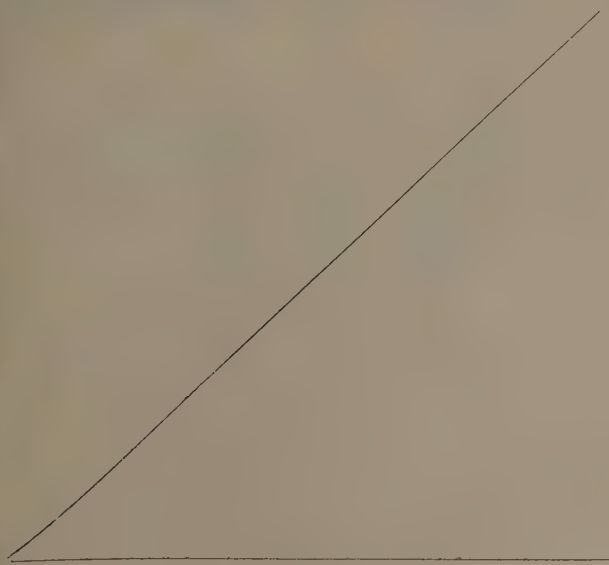
	£ s. d.	£ s. d.
CAPITAL AUTHORISED :		
6000000 5½ per cent. Cumulative Preference Shares	6000000 - -	
6000000 6 per cent. Non-Cumulative Preferred Ord. Shares	6000000 - -	
3000000 "A" Deferred Ord. Shares (10% Non-Cumulative)	3000000 - -	
3000000 "B" Deferred Ordinary Shares	3000000 - -	
	£18000000 - -	
CAPITAL ISSUED :		
4959249 5½ per cent. Cumulative Preference Shares		4959249 - -
5260469 6 per cent. Non-Cumulative Preferred Ord. Shares		5260469 - -
2638218 "A" Deferred Ord Shares (10% Non-Cumulative)		2638218 - -
2638218 "B" Deferred Ordinary Shares		2638218 - -
		15496154 - -
4¼ per cent. First Mortgage Debenture Stock (repayable at the Company's option by 6 months' notice at any time after 31st December, 1911, at £105 per £100)		2065011 - -
Provision for Premium of 5 per cent. payable on Redemption of Debenture Stock		103250 - -
Accrued Interest on Debenture Stock		29095 6 8
Creditors and Credit Balances		876478 16 2
Bills Payable and Drafts in transit		60010 15 9
Provision for Pensions, &c.		515362 9 3
General Reserve Account		1750000 - -
PROFIT & LOSS ACCOUNT :		
Net Trading Profit & Transfer Fees	2193541 9 9	
Less :		
Interest, Management Remuneration, &c. 231356 5 7		
Provision for Pensions, &c. 100000 - -		
Amount written off Freehold Buildings in addition to normal depreciation 100000 - -		
Transfer to General Reserve 250000 - -	681356 5 7	
Balance for the year (per Profit & Loss A/c.)	1512185 4 2	
Balance at 31st October, 1908, after deducting Customers' Bonuses to that date	120218 7 -	
	£1632403 11 2	
Deduct : Interim Dividends paid :		
On 5½ per cent. Cumulative Pref. Shares 136379 7 -		
On 6 per cent. Non-Cumulative Preferred Ordinary Shares 157814 1 5		
On 10 per cent. Non-Cumulative "A" Deferred Ordinary Shares 131910 18 -	426104 6 5	1206299 4 9
		£22101661 12 7

(of Great Britain and Ireland) LIMITED.

31st October, 1909.

Assets.

	£	s.	d.
Land, Buildings, Plant & Machinery at cost, less Amounts written off	1963022	15	4
Goodwill and Patent Rights	9445704	16	11
Investments in Associated Companies	1168986	1	6
Stock-in-Trade under cost	4401336	15	6
Debtors, *less* Reserve for Discounts and Doubtful Debts	1537378	11	11
Payments on account of Leaf in transit, unexpired Insurances, &c.	102800	6	1
Bills Receivable	2412	19	7
Investments in Government, County Council and Corporation Stocks and Debentures, Railway Debenture & Preference Stocks, valued at published prices at date	2499664	3	7
Corporation Loans not officially quoted, and Deposits for short periods against security	399884	-	-
Cash at Bankers on Deposit and Current Account, and in hand	579571	2	2



£22101661 12 7

THE IMPERIAL TOBACCO COMPANY (of Great Britain and Ireland), LIMITED.

Dr. Profit & Loss Account for the year ended 31st October, 1909. Cr.

	£ s. d.		£ s. d.
To Directors' and Trustees' Fees and Management Remuneration	97462 5 6	By Net Trading Profit and Interest and Dividends on Investments (including Dividends from Companies operating outside the United Kingdom), Loans and Bank Deposits, after providing for Depreciation of Buildings, Plant, Machinery and Investments, &c., Working Expenses, Head Office and Registration Charges	2192986 - 9
,, Interest paid and accrued on Debenture Stock	87762 19 4		
,, Reserve for Income Tax	46131 - 9		
	231356 5 7		
,, Provision for Pensions	100000 - -		
,, Amount written off Freehold Buildings in addition to normal depreciation	100000 - -		
,, Transfer to General Reserve Account	250000 - -		
,, Balance carried to Balance Sheet	1512185 4 2	,, Transfer and other Fees	555 9 -
	2193541 9 9		2193541 9 9

Dr. Appropriation A/c. Cr.

	£ s. d.		£ s. d.
To Dividends on 5½ per cent. Cumulative Preference Shares :—		By Balance from last Account £200781 7 4	
Interim Dividend to 30th April, 1909, paid 1st August, 1909 £136379 7 -		*Less* Bonus to Customers paid thereout 80563 - 4	120218 7 -
Half-year's Dividend to 31st October, 1909, paid 1st February, 1910 136379 7 -	272758 14 -	,, Balance from Profit & Loss Account for the year	1512185 4 2
,, Dividends on 6% Non-Cumulative Preferred Ordy. Shares :—			
Interim Dividend to 30th April, 1909, paid 1st September, 1909 157814 1 5			
Half-year's Dividend to 31st October, 1909, payable 1st March, 1910 157814 1 5	315628 2 10		
,, Dividends on 10% Non-Cumulative "A" Deferred Ordy. Shares—			
Interim Dividend to 30th April, 1909, paid 1st September, 1909 131910 18 -			
Half-year's Dividend to 31st October, 1909, payable 1st March, 1910 131910 18 -	263821 16 -		
,, Dividends on "B" Deferred Ordinary Shares :—			
Proposed Dividend of 10% for the year (free of Income Tax) 263821 16 -			
Proposed Bonus of 2/ per share (free of Income Tax) 263821 16 -	527643 12 -		
,, Bonus to Customers for the half-year to 30th April, 1909, paid 14th January, 1910	70152 5 6		
,, Balance to be carried to next Account (including Reserve for Bonus to Customers, half-year ended 31st October, 1909)	182399 - 10		
	1632403 11 2		1632403 11 2

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THE LONDON CITY & MIDLAND BANK, LIMITED.

Balance Sheet, 31st December, 1909.

Liabilities.	£ s. d.	£ s. d.
Capital Paid up, viz.:— £12 10 - per Share on 303928 Shares of £60 each	3799100 - -	
Reserve Fund	3419190 - -	
Dividend payable on 1st February 1910	341919 - -	
Balance of Profit & Loss A/c., as below	179740 - 3	
	7739949 - 3	
Current, Deposit & other Accounts	69644519 16 5	
Acceptances on account of Customers	5128918 - 7	
	£82513386 17 3	

Assets.	£ s. d.	£ s. d.
Cash and Bullion in hand and at Bank of England	13063799 19 9	
Money at Call and at Short Notice	9868195 15 1	22931995 14 10
Investments:—		
Consols and other British Government Securities (of which £396780 Consols is lodged for Public A/cs.)	3901252 4 9	
Stocks Guaranteed by the British Government, Indian Stocks, Indian Railway Guaranteed Stocks and Debentures	572420 - -	
British Railway Debenture and Preference Stocks, British Corporation Stocks	2744922 6 10	
Colonial and Foreign Government Stocks and Bonds	1071507 18 -	
Sundry Investments	698200 8 5	
		8988302 18 -
Bills of Exchange		6795327 3 9
		38715625 16 7
Advances on Current Accounts, Loans on Security and other A/cs.		36897233 3 4
Liabilities of Customers for Acceptances as per contra		5128918 - 7
Bank Premises, at Head Office and Branches		1771609 16 9
		£82513386 17 3

Dr. Profit & Loss Account for the half-year ending 31st December, 1909. Cr.

	£ s. d.		£ s. d.
To Dividend payable 1st February, 1910, being at the rate of 18 per cent. per annum	341919 - -	By Balance from last Account	173912 8 1
,, Bank Premises Redemption Fund	20000 - -	,, Net Profits for the half-year ending 31st December, 1909, after providing for all Bad and Doubful Debts	372746 12 2
,, Officers' Pension Fund	5000 - -		
,, Balance carried forward to next account	179740 - 3		
	£546659 - 3		£546659 - 3

EDWARD H. HOLDEN, *Chairman and Managing Director.*
W. G. BRADSHAW, *Deputy-Chairman.*
AIREDALE,
J. A. CHRISTIE,
Directors.

REPORT of the AUDITORS to the Shareholders of the London City and Midland Bank, Limited.

In accordance with the provisions of Sub-section 2 of Section 113 of the Companies (Consolidation) Act, 1908, we report as follows :—

We have examined the above Balance Sheet in detail with the books at Head Office and with the certified Returns from the Branches. We have satisfied ourselves as to the correctness of the Cash Balances and the Bills of Exchange and have verified the correctness of the Money at Call and Short Notice. We have also verified the Securities representing the Investments of the Bank, and having obtained all the information and explanations we have required, we are of opinion that such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company.

London, *8th January, 1910.*

WHINNEY, SMITH & WHINNEY, Chartered Accountants.
Auditors.

THE NOVEL PUBLISHING COMPANY, LIMITED.

Balance Sheet on 30th June, 1910.

Liabilities.		£ s. d.
SHARE CAPITAL Issued and Paid-up 6005 Shares of £5 each		30025 - -
Sundry Creditors :—		
Bank Overdraft		1867 13 7
On Open Accounts	£1454 6 7	
Less Reserve for Discount	54 2 2	1400 4 5
	£	33292 18 -

Assets.	£ s. d.	£ s. d.	£ s. d.
Machinery, Plant & Type	11 5 5 8		
Less Depreciation @ 5% per annum	56 5 3	1069 - 5	
Additions for the year		2 4 4	1071 4 9
Engine, Boiler & Shafting		527 19 3	
Less Depreciation @ 5% per annum		26 8 -	501 11 3
Fixtures, Fittings & Furniture		740 10 4	
Less Depreciation @ 5% per annum		37 - 6	703 9 10
Half-Tone Blocks, Electros, Drawings and Copyrights	297 19 5		
Less Depreciation @ 12½% per annum	37 4 10	260 14 7	
Additions for the year		122 8 10	383 3 5
Stereotype Plates and Brass Stamps Labour A/c.	1403 1 10		
Less Depreciation @ 12½% per annum	175 7 8	1227 14 2	
Additions for the year		308 16 9	
Value of Labour		1536 10 11	
Metal A/c.		811 12 6	2348 3 5
Stock of:—Materials		170 4 6	
Sewn Books		664 - 2	
Sheet Books		2992 17 10	
Cases finished and unfinished		123 9 6	
Bound Books		920 14 2	
Waste Gold		5 - -	4876 6 2
Cash in hand			1 14 4
Sundry Trade Debtors		2765 8 4	
Less Estimated Discount and Provision for Bad and Doubtful Debts @ 5%		260 7 5	2505 - 11
PROFIT & LOSS A/c. 30th June, 1909		20121 15 8	
Add Net Loss for the year		780 8 3	20902 3 11
		£	33292 18 -

GEORGE NEWNES, LIMITED.

NOMINAL CAPITAL, £1000000.

Balance Sheet, 30th June, 1909.

Liabilities.		£ s. d.	Assets.	£ s. d.
CAPITAL Issued—			Copyrights and Goodwill (balance of cost as at formation of Company)	647500 - -
500000 5% Cumulative Preference Shares of £1 each, fully paid	£500000 - -		Leasehold Buildings in Southampton Street and Exeter Street, Strand; Furniture, Fixtures, &c. (at cost, less depreciation)	50119 - -
400000 Ordinary Shs. of £1 each, fully paid	400000 - -	900000 - -	Machinery and Plant (at cost, less depreciation)	23674 18 4
Reserve Fund		12500 - -	Investments (at cost)	7500 - -
Creditors—Sundry Accounts		75584 14 4	Ditto Reserve Fund (at cost)	12500 - -
PROFIT & LOSS ACCOUNT—			Shares in other Companies (at par.)	72900 - -
Balance from last Account	2297 1 5		Cash Balances	45471 15 9
Net Profit for the year	30381 12 5		Sundry Debtors	105350 9 5
	32678 13 10		New Publications, Advertising, &c.	3631 - -
Less Dividend on Preference Shares (paid 1st Jan., 1909).. £12500			Stock on hand	34616 9 8
Less Interim Div. on Ordinary Shares for half-year ending 31st December, 1908 (paid 16th February, 1909) 5000	17500 - -	15178 13 10		
		£1003263 8 2		£1003263 8 2

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Dr. Profit & Loss Account for twelve months ending 30th June, 1909. Cr.

	£ s. d.		£ s. d.
To Dividend on Preference Shares (paid 1st July, 1908)	12500 - -	By Balance brought forward from 30th June, 1908	20797 1 5
,, Dividend on Ordinary Shares (paid 7th August, 1908)	6000 - -		
,, Balance carried down	2297 1 5		
	£20797 1 5		£20797 1 5
To Dividend on Preference Shares (paid 1st January, 1909)	12500 - -	By Balance brought down	2297 1 5
,, Interim Dividend on Ordinary Shares at the rate of 2½% per annum for the half-year ending 31st December, 1908 (paid 16th February, 1909)	5000 - -	,, Net Profit for the twelve months ending 30th June, 1909, after writing off depreciation on Machinery, Buildings, &c.	30381 12 5
,, Balance carried forward	15178 13 10		
	£32678 13 10		£32678 13 10

FRANK NEWNES, ALFRED JOHNSON, *Directors.*

HORACE COLE, A.C.I.S., *Secretary.*

LEEDS PUBLIC COCOA HOUSES COMPANY, LIMITED.

Balance Sheet on 30th September, 1909.

Capital & Liabilities.				£	s.	d.	Assets.				£	s.	d.
Capital called up on 9053 Shares at 17/6 per Share	£7921	7	6				Land, Buildings, Furniture, and Utensils of Trade as at 30th September, 1908...	10063	1	6			
Calls received in advance	27	-	-	7948	7	6	*Less* Sales	11	10	-	10051	11	6
Yorkshire Penny Bank Loan on Mortgage ..	3000	-	-				Sundry Debtors				13	-	-
Less Cash on Deposit	130	3	6	2869	16	6	Bills Receivable				50	-	-
Sundry Creditors				83	9	-	Cash at Bank				80	12	-
Deposit on Valuation				100	-	-	Cash in hand				3	2	3½
							Profit & Loss Account as at 30th Sept., 1908	670	4	2½			
							Add Loss this year	133	3	-	803	7	2½
			£	11001	13	-				£	11001	13	-

Dr. Profit & Loss Account for year ending 30th September, 1909 Cr.

	£	s.	d.		£	s.	d.
To Provisions, Wages, Rates, Fuel, Repairs and General Expenses	1922	13	2½	By Receipts to 20th May, 1909	1841	12	8½
,, Interest	113	13	6	,, Transfer Fees		2	6
,, Directors' Fees (voted at last Annual Meeting)	21	-	-	,, Rent Receivable	98	-	-
,, Expenses, re transfer of business	15	11	6	,, LOSS for Year	133	3	-
£	2072	18	2½	£	2072	18	2½

On behalf of the Board, J. JACKSON. FRED COATES.

REPORT of the AUDITORS to the Shareholders of the Leeds Public Cocoa Houses Company, Limited.

We have audited the Balance Sheet of the Leeds Public Cocoa Houses Company, Limited, dated the 30th day of September, 1909, above set forth. We have obtained all the information and explanations we have required. In our opinion such Balance Sheet is properly drawn up, so as to exhibit a true and correct view of the state of the Company's affairs, according to the best of our information and explanations given us, and as shown by the books of the Company.

26 Park Row, Leeds, 29th October, 1909.

BEEVERS & ADGIE,
Chartered Accountants.

TAYLORS' DRUG COMPANY, LIMITED.

Balance Sheet, 30th September, 1908.

Capital & Liabilities.	£ s. d.	£ s. d.
NOMINAL CAPITAL—		
50000 6% Cumulative Preference Shares, £1 each	£50000 - -	
50000 Ordinary Shares, £1 each	50000 - -	
	£100000 - -	
SUBSCRIBED CAPITAL—		
38202 fully paid Preference Shares	38202 - -	
30000 fully paid Ordinary Shares	30000 - -	68202 - -
Loans upon Mortgage of the Freehold and Leasehold Properties of the Company with Int. to 30th Sept. 1908		41974 8 8
Debentures with Interest to 30th September, 1908		30375 - -
Sundry Creditors.....		22640 11 1½
Reserve Account, 1907	12600 11 1	
Proportion Profits 1907 added.....	2081 2 7	14681 13 8
PROFIT & LOSS ACCOUNT—		
Balance from 1907.....	630 8 2½	
Profit this year as per Account.....	6805 17 11	7436 6 1½
Preference Dividend paid for year to 30th September, 1908.....	2292 2 5	
Interim Dividend on Ordinary Shares at 5%, paid 31st July, 1908.....	1500 - -	3792 2 5	3644 3 8½
		£181517 17 2

Property & Assets.	£ s. d.	£ s. d.
Cash in hand		1405 10 1½
Sundry Debtors.		898 11 6½
Shares in other Companies at last year's values		262 10 -
Stock in Leeds and Branches, certified at or under cost		72174 4 9
Freehold & Leasehold Properties.		
Plant and Fixtures, as in 1907	103988 8 5	
Purchases this year ..... ,,	2788 12 4	106777 - 9
		£181517 17 2

Dr. **Profit & Loss Account** for the year ended 30th September, 1908. **Cr.**

	£ s. d.		£ s. d.
To Repairs and Renewals of Plant and Fixtures	2085 18 4½	By Profit from Trade Account	12326 16 4
,, Managing Director's Salary.....	1000 - -	,, Rents received.....	1095 2 10½
,, Income Tax Account Balance	302 2 6	,, Interests received from Investments.....	23 7 11
,, Interest on Mortgages, Debentures, &c.	3255 15 10	,, Transfer Fees	4 7 6
	6643 16 8½		
,, Net Profit for the year	6805 17 11		
	£13449 14 7½		£13449 14 7½

WM. B. MASON,
EDWARD FLETCHER, } *Directors.*

REPORT of the AUDITORS to the Shareholders of Taylors' Drug Company, Limited.

We beg to report that we have obtained all the information and explanations that we have required, and we have examined the above Balance Sheet, dated 30th September, 1908, with the books of the Company, and in our opinion such Balance Sheet is properly drawn up, so as to exhibit a true and correct view of the state of the Company's affairs, according to the best of our information and the explanations given to us, and as shown by the books of the Company.

Leeds, *1st December, 1908.*

LEE & WHITFIELD,
Chartered Accountants, } *Auditors.*

BARRETT'S BREWERY & BOTTLING COMPANY, LTD.

Dr. **Profit & Loss A/c.** for the year ending 31st December, 1902. **Cr.**

	£	s.	d.		£	s.	d.	£	s.	d.
To Stock on hand at 1st January, 1902 ..	62436	2	7	By Sales Nett				134280	1	10
,, Purchases since, Nett, including Duty on Beer	84342	12	7	,, Dividends on Investments	£360	19	9			
,, Salaries & Wages, Rents, Rates & Taxes	25155	8	9	Transfer Fees	12	17	6	373	17	3
,, Repairs & Renewals, Stable & General Exs., Fuel, Advertising, Travelling, &c	19268	19	-	,, Stock on hand at 31st December, 1902	65181	6	6			
,, Bad Debts written off	676	1	4	*Less* Depreciation	1032	5	5	64149	1	1
,, Balance carried down	6923	15	11							
£	198803	-	2				£	198803	-	2

	£	s.	d.		£	s.	d.
To Depreciation, &c.				By Balance brought down	6923	15	11
,, Horses, Plant & Machinery, Stoppers, &c.	2393	12	11				
,, Leasehold Redemption Fund	179	3	2				
,, Balance (Nett Profit for the year carried down).....	4350	19	10				
£	6923	15	11	£	6923	15	11

	£	s.	d.		£	s.	d.
To Directors' Fees	350	-	-	By Balance brought forward from 1901 A/c.....	278	11	9
,, Auditors' Fees.....	75	-	-	,, Nett Profit for the year ending 31st December, 1902, brought down ..	4350	19	10
,, Balance to Balance Sheet.....	4204	11	7				
£	4629	11	7	£	4629	11	7

Balance Sheet as at 31st December, 1902.

Liabilities.	£	s.	d.	Assets.	£	s.	d.	£	s	d.
CAPITAL :—Amount authorised				Freehold Property				84702	18	2
60000 5% Preference Shares of £2 10 each £150000				Leasehold Property				15017	17	1
60000 Ordinary Shares of £2 10 each 150000				Goodwill				85000	-	-
120000 £300000				Trade Investments at Cost				7360	-	-
				Sundry Debtors				21110	1	9
Amount issued :—				Cash at Bank and in hand	9264	8	2			
50000 5% Preference Shares of £2 10 each, fully paid 125000				Do. (on Deposit)	6000	-	-	15264	8	2
50000 Ordinary Shares of £2 10 each, fully paid 125000	250000	-	-	C. Hopkinson & Sons in Liquidation :—						
100000				Balance Due	1036	17	4			
				Less Transferred from Reserve Fund	500	-	-	536	17	4
Loan	25000	-	-	Plant & Machinery :—						
Sundry Creditors.....	26576	6	8	Amount as per last A/c. £7112 2 10						
Reserve Fund :—				*Add* Subsequent Outlay..... 360 3 3	7472	6	1			
Amount as per last Account £18500				*Less* Depreciation.....	186	16	2	7285	9	11
Less Amount written off C. Hopkinson & Sons in Liquidation 500	18000	-	-	Stock at 31st December, 1902..	65181	6	6			
				Less Depreciation	1032	5	5	64149	1	1
Leasehold Redemption Fund	1815	7	1	Casks, Horses, Vans, &c.				12003	16	-
PROFIT & LOSS A/c. : Balance as per A/c.	4204	11	7	Stoppers & Rubbers	13396	8	6			
				Less Depreciation	662	17	6	12733	11	-
				Office Furniture & Fixtures....				432	4	10
	£325596	5	4					£325596	5	4

THE BLACKPOOL TOWER COMPANY, LIMITED.

Dr. **Revenue A/c.,** for the year ending 30th September, 1895. **Cr.**

To Expenditure :—	£	s.	d.	By Receipts :—	£	s.	d.
Salaries, Wages, Tower & Circus Orchestras & Variety Artistes	16268	1	2	Admissions, Rents, &c.	53106	11	10
Advertising, Printing & Stationery, Programmes, Posting	1686	13	8				
Chief Rents, Rates, Taxes, Income Tax, Insurance & Licenses	2301	13	2				
Electric Light, Gas & Water	1659	10	9				
Carriage, Cartage, Coals, Stores & Materials	767	1	4				
Travelling Expenses, Telegrams & Stamps	301	3	3				
Directors' Remuneration	600	-	-				
Miscellaneous Charges & Expenses	781	2	9				
Stage Properties, Repairs, Maintenance of Building, Painting, &c.	1264	13	8				
Animals & Plant purchased	707	16	3				
Animals' Food & Sea Water for Tanks	854	1	8				
Spirits, Wines, Beer, Cigars & Minerals consumed during year	4264	16	8				
Legal Expenses	260	4	2				
Balance carried to General Profit & Loss A/c.	21389	13	4				
£	53106	11	10	£	53106	11	10

Dr. **General Profit & Loss Account.** **Cr.**

To Interest Account :—	£	s.	d.	£	s.	d.	By Balance brought down, being Gross Profits for the year to date ...	£	s.	d.
Interest on Mortgage of £30000 to 30th September	1160	-	-					21389	13	4
Interest on Debentures up to 30th September	4387	17	2							
Bank Interest and Commission	111	4	5	5659	1	7				
,, Depreciation as under—										
Fixed & Loose Plant, Electric Light & Furniture	2000	-	-							
Aquarium Animals, Tanks & Fittings	1500	-	-							
Gas Plant, Heating & Cooking Apparatus	363	2	-	3863	2	-				
,, Preliminary & Formation Expenses & Development—										
Amount written off				1905	5	-				
,, Reserve Fund :—										
Amount set aside this year				1500	-	-				
Balance being Net Profit for the year carried down				8462	4	9				
£				21389	13	4	£	21389	13	4
,, Balance being total Profit carried to Balance Sheet				8812	15	4	By Balance brought down, being Net Profit for the year	8462	4	9
							,, Balance of Profit brought forward 30th September, 1894	350	10	7
£				8812	15	4	£	8812	15	4

Balance Sheet, 30th September, 1895.

Capital and Liabilities.		£ s. d.
NOMINAL CAPITAL—		
40000 6% Preferred Ordinary Shares of £1 each	£40000	
105000 Ordinary Shares of £1 each	105000	
5000 Founders' Shares of £1 each	5000	
150000	£150000	
CAPITAL ISSUED & SUBSCRIBED—		
6% Preferred Ordinary Shares—		
40000 Shares of £1 each, fully called	40000 - -	
Less 81 Shares forfeited	81 - -	39919 - -
Ordinary Shares—		
105000 Shares of £1 each, fully called	105000 - -	
Less 901 Shares forfeited	901 - -	
		104099 - -
Founders' Shares—		
5000 Shares of £1 each, fully called	5000 - -	
Less 215 Shares forfeited	215 - -	4785 - -
Total paid up Share Capital		148803 - -
Corporation of Blackpool Mortgage of Land and Buildings		30000 - -
Debentures Issued and Subscribed—		
1400 "A" Debentures of £50 each, fully called	70000 - -	
Less Arrears	90 - -	69910 - -
600 "B" Debentures of £50 each, fully paid	30000 - -	
Less Arrears	900 - -	29100 - -
Sundry Creditors as per Ledger including Mortgage and Debenture Interest to date		6127 19 -
Reserve Fund—		
Amount set aside last year	500 - -	
Amount set aside this year	1500 - -	2000 - -
PROFIT & LOSS ACCOUNT—		
Balance as at 30th September, 1894	5440 7 11	
Less Div. declared and paid, Nov. 1894	5089 17 4	
	350 10 7	
Add Profit for the year as per General Profit and Loss Account	8462 4 9	8812 15 4
		£294753 14 4

Property and Assets.	£ s. d.	£ s. d.
Capital Expenditure as under—		
Purchase of Property		73404 10 5
Construction Account	141778 2 2	
Add Expenditure made during the year	37291 10 11	179069 13 1
Animals, Tanks Fittings, &c., in Aquarium	5000 - -	
Less Depreciation written off	1500 - -	3500 - -
Fixed & Loose Plant, Electric Light Furnishing, Furniture and Fittings	10934 18 9	
Add Expen. during year	8423 7 -	19358 5 9
Less Depreciation written off		2000 - - 17358 5 9
Gas Plant, Heating and Cooking Apparatus	2400 - -	
Add Expen. during year	1233 2 -	3633 2 -
Less Depreciation		363 2 - 3270 - -
Formation & Preliminary Expenses A/c.		2910 6 11
Development Account		2193 17 4
		5104 4 3
Add Expenditure during year		109 17 -
		5214 1 3
Less Cash received on Shs. forfeited this year	145 13 -	
Premium received on Shares allotted this year	1257 18 3	1403 11 3
		3810 10 -
Less Amount written off		1905 5 - 1905 5 -
Sundry Debtors and Prepaid Rates— As per Ledger Accounts		1423 6 10
Stock on hand— Wines, Spirits, Beer, Cigars, &c.		1631 2 10
Cash—		
Lancashire & Yorkshire Bank	13136 6 8	
Cash in hands of Manager and at Bars	55 3 9	13191 10 5
		£294753 14 4

THE ANGLO-FRENCH EXPLORATION COMPANY, LIMITED.

Balance Sheet 31st December, 1909.

	£ s. d.		£ s. d.
SHARE CAPITAL :—		Cash:—	
Authorised and Issued.		London—London Joint Stock Bank, Limited, on Current Account and on Dividend Accounts ...	9677 6 11
500000 Ordinary Shares of £1 each, fully paid	500000 - -	South Africa—Standard Bank of South Africa, Limited, £15590 13s. 11d. ; Petty Cash, £12 13s. 2d.	15603 7 1
500000 6 per cent. Cumulative Preference Shares of £1 each fully paid	500000 - -		25280 14 -
1000000 Shares.	1000000 - -	Advances against Securities, including Shares "taken-in" :—	
Contracts for Purchase of Shares for delivery in January, 1910	11040 15 6	London (available at short notice)	472150 11 2
Creditors—		Contracts for Sales of Shares for delivery in January, 1910	35337 4 -
London £6966 18 3		Temporary Investments in British Government and London County Stocks and Indian and Foreign Railway Securities	100005 15 6
South Africa 1403 17 6	8370 15 9	Debentures	42309 - -
Dividend on Preference Shares for Half-year to 31st December, 1909, and Unclaimed Dividends (less Income Tax).....	15241 11 4	Shares in Companies, Properties and Interests in South Africa	562160 4 8
Reserve Fund—Amount transferred from Appropriation Account for 1908 ..... 50000 - -		Shares in Companies operating in other parts of the world, chiefly Australia	86817 15 5
Add amount transferred from Appropriation Account for 1909 ..... 100000 - -	150000 - -	Loans—South Africa	5632 14 4
PROFIT & LOSS ACCOUNT balance subject on distribution to the percentages payable to the Managing Director in London, and to the Managing Director, Consulting Engineer and the Sub-Manager in South Africa pursuant to their Agreements	154808 11 6	Debtors :—	
		London ..... £5384 1 -	
		South Africa 1920 19 5	7305 - 5
NOTE.—There are liabilities in respect of Shares and Loans partly paid and Interests amounting together to £69651 6s. 7d., of which £2704 3s. 4d., is recoverable from participants.		Office Furniture and Fittings :—	
		London 844 11 6	
		South Africa 1618 3 6	2462 15 -
£	1339461 14 1	£	1339461 14 1

Dr. **Appropriation Account** for the Year 1908. **Cr.**

	£ s. d.		£ s. d.
To Dividend on the Ordinary Shares for the year 1908 at the rate of 10% per annum declared 21st April, 1909	50000 - -	By Balance brought forward from 1908	147540 5 11
,, Commissions on above Dividend, Managing Director, London, and Managing Director, Consulting Engineer and Sub-Manager, South Africa	5065 1 4		
,, Amount transferred to Reserve Fund	50000 - -		
,, Balance carried down to Appropriation Account, 1909	42475 4 7		
£	147540 5 11	£	147540 5 11

Dr. **Profit & Loss Account** for the Year ending 31st December, 1909. **Cr.**

	£ s. d.		£ s. d.
To Directors' Fees	1250 - -	By Dividends, Interest on Loans, Commissions and Sundry Credits	53369 8 7
,, Salaries (including Managing Directors' Salaries), Rent, Audit Fees, and Travelling, Office and General Expenses, London and South Africa, less Transfer Fees and Amounts charged to other Companies	11426 1 10	,, Profits realised by Sales of Shares and Debentures, including £11108 13s. 1d. Profit on Sales for forward delivery	250652 12 -
,, Cablegrams	307 2 1		
,, Donations	242 10 -		
,, Premiums on Insurance of Office Staff—London (balance)	314 2 2		
,, Realised Losses and Amounts written off—London and South Africa	48148 17 7		
,, Balance carried to Appropriation Account	242333 6 11		
£	304022 - 7	£	304022 - 7

Dr. **Appropriation Account** for the Year 1909. **Cr.**

	£ s. d.		£ s. d.
To Six per cent. Preference Dividend	30000 - -	By Balance brought down from Appropriation Account, 1908	42475 4 7
,, Amount transferred to Reserve Fund	100000 - -	,, Balance brought from Profit and Loss Account as above	242333 6 11
,, Balance carried to Balance Sheet	154808 11 6		
£	284808 11 6	£	284808 11 6

CROWN MINES.

(FORMERLY CROWN DEEP, LIMITED).

Balance Sheet

Liabilities.	£	s.	d.
CAPITAL ACCOUNT—Authorised			
Under resolutions of Special General Meeting held on 21st April, 1909—			
2000000 shares of 10s. each	1000000	-	-
Less—			
119788 shares of 10s. each in reserve	59894	-	-
Issued 1880212 shares of 10s. each.	940106	-	-
Made up as follows:—			
As per Balance Sheet 1st July, 1909, attached to Amalgamation Accounts—			
1863012 shares of 10s. each £931506			
Further issue to cover cost of acquiring certain property and assets from the Paarl Ophir Gold Mining and Milling Company, Limited, under Board Minute dated 18th September, 1909—			
17200 shares of 10s. each 8600			
1880212 shares of 10s. each £940106			
Funds transferred from Appropriation Account—			
For expenditure on property, development and equipment for the six months ending 31st December, 1909, provided out of profits	132052	10	6
	1072158	10	6
Gold Reserve Account	28767	1	1
Sundry Creditors—			
On account of unpaid and unclaimed dividends, wages, stores, Government Tax on profits, etc.	797834	17	5
Balance of Appropriation Account—			
Unappropriated	401245	7	-
NOTES I.—There are further liabilities on account of shares subscribed for in other Companies as under, viz.:—			
Co-operative Exchange Yard, Ltd.—			
£64 per share uncalled on 209 shares £13376			
Witwatersrand Native Labour Association, Ltd.—			
8s. per share uncalled on 2200 shares £880			
14s. per share uncalled on 10240 shares 7168 8048			
Witwatersrand Co-operative Smelting Works, Ltd.—			
12s. per share uncalled on 4270 shares 2562			
£23986			
II.—There are also contracts open for the supply of additional equipment, etc., and an undetermined liability to the French Government in respect of fiscal taxes.			
£	2800005	16	-

LIMITED.

INCORPORATED IN THE TRANSVAAL.

31st December, 1909.

Assets.				£ s. d.
Property, Development and Equipment—				
As per Balance Sheet and Amalgamation Account 1st July, 1909				931596 - -
Add—				
Expended during the six months ending 31st December, 1909—				
Development	£24437 8 2			
Equipment	106112 16 5	£130550 4 7		
Property and Assets acquired from the Paarl Ophir Gold Mining and Milling Co., Ltd.		10102 5 11		140652 10 6
				1072158 10 6
Shares in other Companies at cost—				
Co-operative Exchange Yard, Ltd.,—				
209 £80 shares, £16 per share paid		3344 - -		
Rand Mutual Assurance Co., Ltd.—				
940 £10 shares, fully paid		9400 - -		
Witwatersrand Native Labour Association, Ltd.,—				
2200 £1 shares, 12s. per share paid	£1320 - -			
10240 £1 shares, 6s. per share paid	3072 - -	4392 - -		
Witwatersrand Co-operative Smelting Works, Ltd.—				
4270 £1 shares, 8s. per share paid		1708 - -		
		18844 - -		
Stores and Materials—				
In Stock	81503 13 7			
In transit	2675 - 6			
	84178 14 1			
Live Stock and Vehicles, etc.	4767 1 11			
Furniture	8256 8 9			
Bearer Share Warrants	2892 18 2	100095 2 11		
Deposits Fixed and on Call, bearing Interest	769382 11 7			
Cash at Bankers and in hand	2171 17 7			
Gold Consignment Account	105155 7 7	876709 1 9		
Investments—				
£40000 Transvaal Government 3 per cent. stock	38556 3 11			
£20000 Cape Government 4 per cent. stock	20000 - -			
£128071 3s. 2d. British 2½ per cent. Consols	102456 18 6			
£30550 13s. 8d. Johannesburg Municipal 4 per cent. stock	27495 12 -			
£1450 Rand Mines, Ltd., 5 per cent. debentures	1522 10 -			
£3200 Mexico Electric Tramways Co., Ltd., 5 per cent. debentures	2880 - -	192911 3 11		
Sundry Debtors and Payments in Advance		39287 1 11		1227847 5 6
			£	2300005 16 -

CROWN MINES, LIMITED. (Formerly Crown Deep, Limited.) INCORPORATED IN THE TRANSVAAL.

Dr. Working Expenditure and Revenue Account for the Year ending 31st December, 1909. **Cr.**

	£ s. d.	£ s. d.		£ s. d.
To Mining Expenses—			By Gold Account	1647844 15 3
Mining	462935 18 11			
Developing	57977 5 2	520912 19 1		
,, Reduction Expenses		213439 11 7		
,, General Expenses—Mine		48432 6 6		
,, General Expenses—Head Office				
Salaries, Agency Fees and Rent	8514 16 5			
Stationery, Printing, Advertising, Postages and Telegrams	1509 12 9			
Directors' and Auditors' fees	6530 10 -			
Licenses	4552 12 6			
Sundry	3816 18 1			
	£24924 9 9			
Less Sundry Revenue	6278 8 4	18646 1 5		
		801430 18 7		
,, CREDIT BALANCE on Working for the year carried down		846413 16 8		
		1647844 15 3		£ 1647844 15 3
To Credit Balance carried to Appropriation Account		885458 17 10	By Balance brought down	846413 16 8
			,, Interest	21646 - 1
			,, Mining Expenses— Amount charged to working costs, to provide for the cost of deepening this company's shafts, and paid for by South Rand G.M. Co., Ltd., now reversed on Amalgamation	9100 - -
			,, Profit on Treatment of Accumulated Slimes	5992 6 10
			,, Profit on Dump Treatment	957 10 2
			,, Freehold Revenue	709 5 2
			,, Estates Revenue	639 18 11
	£ 885458 17 10			£ 885458 17 10

H. A. READ, *Secretary.* SAMUEL EVANS, *Chairman.* H. A. ROGERS, *Director.*

We have examined the above Balance Sheet with the books, accounts and vouchers of the Company. We beg to report that we have obtained all the information and explanations we have required and that, subject to confirmation of the Amalgamation Account and Balance Sheet dated 1st July, 1909, in our opinion this Balance Sheet contains the particulars required by the Company's Articles of Association and is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company. See our further report of even date.

Johannesburg, 3rd March, 1910.

C. L. ANDERSSON & CO., *Incorporated Accountants,*
HOWARD PIM, *Chartered Accountants,* } *Auditors.*

Dr. **Appropriation Account.** **Cr.**

	£ s. d.		£ s. d.
To Expended on Capital Account—		By Balance Unappropriated—	
For the six months ending 31st Dec., 1909.		As per Balance Sheet, 31st December, 1908	279973 18 3
On Property.....	1502 5 11	,, Balance of Working Expenditure and Revenue A/c.—	
On new works	130550 4 7	For the year ending 31st December 1909	885458 17 10
	132052 10 6	,, Balance of Appropriation and Profit & Loss Accounts—	
,, Transvaal Government Taxes—		Taken over from absorbed Companies, as per Amalgamation Account dated 1st July, 1909	323480 5 3
For the year ending 31st December, 1909, under the Profits Tax Ordinance	74149 16 -	Langlaagte Deep, Ltd. £92017 10 10	
,, Dividend Account—		Crown Reef G.M. Co., Ltd. 67489 4 8	
Interim Dividend No. 16 of 70 per cent. on Issued Capital of £300000, declared 16th June, 1909..... £210000 - -		Robinson Central Deep, Ltd..... 163928 9 9	
Interim Dividend No. 17 of 65 per cent. on Issued Capital of £940106, declared 10th December, 1909 .. .. 611068 18 -	821068 18 -	,, Dividends on Shareholdings—	
		Robinson Central Deep, Ltd.—	
,, Amalgamation and Liquidation Expenses—		Dividend No. 9 of 50 per cent. for the half-year ending 30th June, 1909.....	33851 10 -
For the six months ending 31st Dec., 1909 ...	14119 7 6	,, Expended on Shares (previous years)—	
,, Amount written off—		Reversal of amount provided out of profits for Shares acquired up to 31st Dec., 1908, as per Balance Sheet..... 74675 5 6	
As per Amalgamation Account, 1st July, 1909	114352 6 3	Less—	
,, Balance Unappropriated—		,, Expended on Capital Account—	
Carried to Balance Sheet	401245 7 -	For the six months ending 30th June, 1909.	
		On new works £9169 7 5	
		On sinking incline shafts to southern boundary, provisionally charged to South Rand G.M.Co.,Ltd., now taken over in view of amalgamation 31232 4 2 40401 11 7	34273 13 11
		See contingent liability in Balance Sheet at 31st Dec., 1908.	
£	1556988 5 3	£	1556988 5 3

WITWATERSRAND GOLD MINING COMPANY, LIMITED.

Balance Sheet at 31st December, 1909.

Liabilities.	£	s.	d.	Assets.	£	s.	d.	£	s.	d.
CAPITAL ..... 425000 Shares of £1 each, authorised, and issued.	425000	-	-	Property ..... 102263 Claims, Mynpacht, Werf, Water-rights Nos. 76 (or 27), 100, 101, and 170, Machine Stand and Freehold Portion of Farm Driefontain No. 148.				130232	1	-
Dividend No. 11—17½ per cent. declared payable to Shareholders registered at 31st December, 1909	74375	-	-	Permanent Works, £69202 10s. 10d. ; less Depreciation, £6920 5s 1d.	62282	5	9			
Unclaimed Dividends	1588	7	1	Machinery and Plant, £206173 6s. ; less Depreciation, £20617 6s. 7d.	185555	19	5			
Native Wages in Suspense	5454	10	8	Buildings, £61991 6s. 2d. ; less Depreciation, £6199 2s. 7d.	55792	3	7			
Sundry Creditors	11303	3	1	Dams and Reservoirs, £7419 5s. 7d. ; less Depreciation, £5564 9s. 2d.	1854	16	5			
Transvaal Government	9438	16	-	Railway Siding, £7411 3s. 6d. ; less Depreciation. £741 2s. 4d.	6670	1	2			
Profits Tax for 12 months to 31st December, 1909 (estimated).				Joint Hospital	336	-	4			
Appropriation Account ..... Balance Unappropriated.	121921	10	4	Live Stock and Vehicles	231	13	6			
Contingent Liabilities — Witwatersrand Native Labour Association, Ltd.—8s. per Share on 580 Shares, £232 ; 14s. per Share on 3740 Shares, £2618. Witwatersrand Co-operative Smelting Works, Ltd.—12s. per share on 1040 Shares, £624. Total, £3474.				Furniture	240	-	-	312963	-	2
				Share Investments				3611	-	-
				Stores on Hand and in Transit				12298	17	5
				Native Recruiting				1327	12	2
				Sundry Debtors and Payments in advance				2841	10	8
				May Consolidated Co., Ltd.				27000	-	-
				Gold in Transit				22145	14	2
				Cash on Deposit and Interest Accrued				127993	13	1
				Cash at Bankers and Mine				8667	18	6
	£ 649081	7	2				£	649081	7	2

REPORT.

To the Shareholders, WITWATERSRAND GOLD MINING COMPANY, LTD.—We report that we have examined the above Balance Sheet with the Books and Vouchers of the Company in Johannesburg for the year ended 31st December, 1909, and have obtained all the information and explanations we have required as Auditors. In our opinion such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the Books of the Company in Johannesburg and the Accounts from London.

Johannesburg,
22nd March, 1910.

F. W. DIAMOND, Incorporated Accountant,
BALL AND STUART. } Auditors.

J. MUNRO,
J. F. RUTHERFORD, } Directors.

For JOHANNESBURG CONSOLIDATED INVESTMENT CO., LTD., Secretaries, FRANK HALL.

Dr. Working Expenditure & Revenue Account for the Twelve Months ended 31st December, 1909. **Cr.**

	£ s. d.	£ s. d.		£ s. d.	£ s. d.
To Mining	129216 - 8		By Battery Gold—		
,, Development	17937 19 6		62748045 fine ozs.	266945 13 8	
,, Hoisting	16917 8 4		,, Cyanide Gold—		
,, Pumping	5474 16 5		86132072 fine ozs.	153710 13 -	420656 6 8
,, Transport of Ore	2813 19 3				
,, Ore Sorting	4999 14 9				
,, Crushing	2556 17 3				
,, Milling	27206 16 6				
,, Cyaniding Sand	19258 2 7				
,, Cyaniding Slime	6768 3 4				
,, General Expenses at Mine	12557 19 6	245707 18 1			
,, General Expenses at Head Office (including Gold Charges)		19482 6 3			
,, Credit Balance on Working for year carried down		155466 2 4			
		£420656 6 8			£420656 6 8

	£ s. d.	£ s. d.		£ s. d.	£ s. d.
To Credit Balance carried to Appropriation Account		175037 14 6	By Balance brought down		155466 2 4
			,, Estate Revenue	13730 17 5	
			,, Rents & Sundry Revenue	2532 3 11	
			,, Interest	2708 10 10	
			,, Rand Mutual Assurance Co., Ltd., (Dividend)	600 - -	19571 12 2
		£175037 14 6			£175037 14 6

Dr. Appropriation Account. **Cr.**

	£ s. d.	£ s. d.		£ s. d.	£ s. d.
To Dividend No.10—17½ per cent., to Shareholders registered 30th June, 1909	74375 - -		By Balance of Account at 31st December, 1908	119874 15 6	
,, Dividend No.11—17½ per cent., to Shareholders registered 31st Dec., 1909	74375 - -		*Add* Amount at credit of Share Premium at 31st December, 1908	55157 13 8	174532 9 2
,, Donations	350 - -				
,, Profits Tax—Estimated amount of Tax for year ended 31st December, 1909, £9438 16s.; additional amount to 31st December, 1908, in consequence of re-estimate of life of Mine, £3181 6s.	12623 2 -		,, Balance of Working Expenditure and Revenue Account for the year ended 31st December, 1909		175037 14 6
,, Depreciation on Stores	787 1 8				
,, Depreciation as per Balance Sheet	40042 5 9				
,, Flooding Disaster	25096 3 11				
,, Unwatering Mine and other Expenditure, £52096 3s. 11d.; Less Amount since agreed to be accepted from May Consolidated Co. Ltd., as compromise for damages owing to the bursting of their dam, £27000					
,, Balance Unappropriated carried to Balance Sheet	121921 10 4				
		£349570 3 8			£349570 3 8

NEW PRIMROSE GOLD MINING CO., LTD.

Balance Sheet at 31st December, 1909.

	£ s. d.		£ s. d.
Capital		Property—156 Claims, 8 Machine Stands	205884 4 6
325000 Shares of £1 each fully issued.	325000 - -	Machinery and Plant, £78778 7s. ; Less Depreciation, £3938 18s. 4d.	£74839 8 8
Dividend No. 33 of 20 per cent. and Bonus of 15 per cent., payable to Shareholders registered 31st December, 1909	113750 - -	Permanent Works, £11399 2s. 8d. ; Less Depreciation, £569 19s. 2d.	10829 3 6
Dividends Unclaimed	1233 16 7	Buildings, £22493 13s. ; Less Depreciation £1124 13s. 8d.	21368 19 4
Transvaal Government	14872 16 -	Dams and Reservoirs, £4346 14s. 3d. ; Less Depreciation, £1022 9s 6d.	3324 4 9
Estimated Gold Profits Tax, 1909.		Railway Siding, £1697 7s. ; Less Depreciation, £84 17s. 4d.	1612 9 8
Sundry Creditors	7372 15 9	Hospital	389 9 2
Native Wages earned but not yet paid	2932 3 4	Live Stock and Vehicles	113 10 -
BALANCE (Profit and Loss Account)	48924 9 7		112477 5 1
		Native Recruiting	1113 13 9
Contingent Liabilities—8s. per Share on 399 Shares, Witwatersrand Native Labour Association, Ltd., £159 12s. ; 14s. per Share on 1980 Shares, Native Labour Association Special Shares, £1386 ; 12s per Share on 600 Shares, Witwatersrand Co-operative Smelting Works, Ltd., £360 £1905 12 -		Share Investments	3370 8 9
		Stores	4486 5 8
		Sundry Debtors and Payments in advance	2147 11 2
		Gold in Transit	24937 10 1
		Cash on Deposit and Interest Accrued	142823 4 8
		Cash at Bank and at Mine	16845 17 7
	£514086 1 3		£514086 1 3

For Johannesburg Consolidated Investment Co., Ltd.,
per Frank Hall.
Secretaries.

JOHN MUNRO,
J. F. RUTHERFORD, } Directors.

To the Shareholders, NEW PRIMROSE GOLD MINING CO., LTD.

We report that we have examined the above Balance Sheet with the Books and Vouchers of the Company in Johannesburg for the year ended 31st December, 1909, and have obtained all the information and explanations we have required as Auditors. In our opinion such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the Books of the Company in Johannesburg and the Accounts from London.

Johannesburg, 24th March, 1910.

J. P. O'REILLY,
F. W. DIAMOND,
Incorporated Accountants, } Auditors.

Dr. **Profit & Loss Account**—No. 1 for Twelve Months ended 31st December, 1909. **Cr.**

	£ s. d.	£ s. d.		£ s. d.	£ s. d.
To Mining	83145 13 2		By Battery Gold	225270 9 10	
,, Development	9251 15 3		52956994 fine ozs.		
,, Hoisting	17719 9 5		,, Cyanide Gold	128334 17 11	353605 7 9
,, Pumping	12297 14 8		30192671 fine ozs.		
,, Transport of Ore	2470 17 2		,, Gold from Treatment of Accumulated Slimes		26789 1 5
,, Ore Sorting	2266 12 -		6302363 fine ozs.		
,, Crushing	1597 17 5				
,, Milling	18754 13 1				
,, Cyaniding Sand	17474 10 5				
,, Cyaniding Slime	6802 19 8				
,, Mine General Expenses	8762 19 6	180545 1 9			
,, Cyaniding Accumulated Slimes		6622 7 -			
,, General Charges (including Gold Realisation Charges)		17209 14 4			
,, Balance to Profit and Loss Account No. 2		176017 6 1			
		£380394 9 2			£380394 9 2

Dr. **Profit & Loss Account**—No. 2 for Twelve Months ended 31st December, 1909. **Cr.**

	£ s. d.	£ s. d.		£ s. d.
To Dividend No. 32 of 20 per cent. (30/6/09)	65000 - -		By Balance from last Account	70530 9 5
,, Dividend No. 33 of 20 per cent. and Bonus of 15 per cent. (31/12/09)	113750 - -		,, Balance from Profit & Loss Account No. 1	176017 6 1
,, Donations	500 - -		,, Rents	1606 8 -
,, Gold Profits Tax, 1909 £14872 16 -			,, Interest	2975 5 10
Additional Tax, 1908 3 12 -	14876 8 -		,, Rand Mutual Assurance Co., Ltd., Dividend Account	2100 - -
,, Expenditure opening up May Deep Section	3437 13 9			
,, Depreciation as per Balance Sheet	6740 18 -			
,, Balance to next Account	48924 9 7			
	£253229 9 4			£253229 9 4

RANDFONTEIN

Balance Sheet

Liabilities.	£	s.	d.
CAPITAL—			
Issued Capital as per Balance Sheet at 30/9/09	740340	-	-
Less Reduction passed at Special General Meeting held 22nd July, 1909	370170	-	-
	370170	-	-
Increase of Capital passed at above Meeting	579830	-	-
Authorised Capital...	950000	-	-
Deduct Shares under option at 30s. per Share to 25th September, 1912, but not yet created	246780	-	-
Registered Capital	703220	-	-
Deduct Shares in Reserve	35331	-	-
ISSUED CAPITAL—667889 Shares of £1 each	667889	-	-
Share Premium	126695	-	-
Native Wages earned but not yet paid	495	1	4
Sundry Creditors...	4522	5	2
Capital Suspense Account £370170	-	-	
Less written off as opposite 370170	-	-	
Contingent Liabilities—			
Witwatersrand Native Labour Association, Ltd., 70 Shares at 8s. per Share, £28; Machinery and Plant on order, &c., £22580 18s. 22608	13	-	
Summary of Amounts written off against reduction of Capital—			
Property 180484	3	11	
Mine Buildings 3969	10	11	
Machinery and Plant 17328	-	11	
Development 64306	5	3	
Furniture and Fittings 237	14	8	
Tree Planting, &c. 719	17	1	
Loss on Stores, Live Stock and Vehicles 457	14	7	
General Expenditure 39255	17	2	
Mine Expenditure 63410	15	6	
£370170	-	-	
£	799601	6	6

REPORT.

To the Shareholders of the Randfontein Deep, Limited. We report that we have Johannesburg, for the period ended 31st December, 1909, and have obtained all the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state given to us, and as shown by the Books of the Company in Johannesburg and the

Johannesburg, 26th March, 1910.

For JOHANNESBURG CONSOLIDATED INVESTMENT CO., Ltd., Secs.
FRANK HALL.

DEEP, LIMITED.

at December, 1909.

Assets.	£ s. d.	£ s. d.
Property	...630484 3 11	
11111247 Claims, 6 Water-rights, Mynpacht No. 397.		
Less written off against reduction of Capital ...	...180484 3 11	450000 - -
Mine Buildings	... 7919 10 11	
Less written off against reduction of Capital ...	... 3969 10 11	3950 - -
Machinery and Plant	... 23128 - 11	
Less written off against reduction of Capital ...	... 17328 - 11	5800 - -
Furniture, Fittings and Instruments	... 472 14 8	
Less written off against reduction of Capital ...	... 237 14 8	235 - -
Development	... 64306 5 3	
Less written off against reduction of Capital ...	... 64306 5 3	
Tree Planting and Fencing	... 719 17 1	
Less written off against reduction of Capital ...	... 719 17 1	
Loss on Stores, Live Stock and Vehicles	... 457 14 7	
Less written off against reduction of Capital ...	... 457 14 7	
Expenditure to be allocated	... ...	7768 2 10
Live Stock, Vehicles and Harness	... ...	118 - -
Stores...	... ...	13423 1 8
Native Recruiting	.. ..	136 13 4
Share Investments	... ...	209 10 -
Sundry Debtors and Payments in advance	... ...	120 6 9
Reconstruction charges	... ...	1249 2 6
Guarantors' Commission	... ...	12339 - -
Deposits and Interest accrued	... ...	265981 2 10
Cash at Bank and on Hand	... ...	34870 19 5
General Expenditure—		
As per Balance Sheet at 30th September, 1908 ...	... 34377 2 4	
Add Expenditure, 15 months from 1/10/08 to 31/12/09, £10272 4s. 5d.; less Rents, Interest, &c., received from 1/10/08 to 31/12/09, £3643 9s. 7d.	6628 14 10	
	41005 17 2	
Less written off against reduction of Capital ...	... 39255 17 2	1750 - -
Mine Expenditure—		
As per Balance Sheet at 30th September, 1908 ...	... 62415 3 3	
Add Expenditure 15 months from 1/10/08 to 31/12/09 ...	24235 7 1	
	86650 10 4	
Less Prospecting transferred to Development Account...	21589 7 8	
	65061 2 8	
Less wrtten off against reduction of Capital ...	... 63410 15 6	1650 7 2
		£799601 6 6

examined the above Balance Sheet with the Books and Vouchers of the Company in information and explanations we have required as Auditors. In our opinion such of the Company's affairs, according to the best of our information and the explanations Accounts from London.

F. W. DIAMOND,
HENRY HAINS, } *Auditors.*
Incorporated Accountants

J. MUNRO,
J. F. RUTHERFORD, } *Directors.*

WESTWOOD SPINNING CO., LTD.

Trade Account.

Dr.		£ s. d.			Cr.	£ s. d.
1905			1905			
Dec. 30	To Stock as per last Account ..	5745 - 7	Dec. 30	By Estimated Accounts owing		259 14 6
	,, Yarn & Waste Balances	1283 14 7	1906			
1906			June 30	,, Cash for Yarn and Waste		33740 13 7
June 30	,, Taxes, Rates, &c., brought forward	150 10 10		,, Amount owing for ditto (net)		1642 17 1
	,, Cash for Cotton	25799 6 7		,, Insurance, Rates & Taxes charged forward		480 11 7
	,, Expenditure as per Cash Account	6141 4 4		,, Transfers		1 10 6
	,, Estimated Accounts owing	217 5 8		,, Stock as per Stock Book		6239 5 -
	,, Bank Commission, Interest, &c.	35 9 3				
	,, Depreciation	1000 - -				
	,, Loan Interest	189 16 10				
	,, Balance (Profit)	1802 3 7				
	£	42364 12 3			£	42364 12 3

Profit & Loss Account.

Dr.		£ s. d.			Cr.	£ s. d.
1905			1905			
Dec. 30	To Dividends	600 - -	Dec. 30	By Balance from last Account		1235 8 3
1906			1906			
Mar. 31	,, Dividend (Interim)	600 - -	June 30	,, Balance, Trade Account		1802 3 7
June 30	,, Reserve Fund	1000 - -				
	,, Disposable Balance	837 11 10				
		£3037 11 10				£3037 11 10

Balance Sheet, 30th June, 1906.

Liabilities.	£ s. d.	Assets.	£ s. d.
Shareholders' Claims	24000 - -	Fixed Stock—present value	30339 19 1
Loan	8447 12 1	Stock-in-Trade	6239 5 -
Trade Accounts owing	217 5 8	Yarn and Waste Balances	1642 17 1
Undrawn Dividends	52 3 9	Insurances, &c., charged forward	480 11 7
Owing to Bank	171 6 1	Cash in hand	23 6 8
Profit and Loss	837 11 10		
Reserve Fund	5000 - -		
£	38725 19 5	£	38725 19 5

Balance Sheet of the London & County Banking Company, Limited, 31st Dec., 1912.

Liabilities.	£	£	Assets.	£	£
Capital subscribed £8000000 paid up		2000000	**Cash** in hand and at Bank of England	£8274042	
Reserve Fund		1550000	Loans at call and short notice	2829890	11103932
Current and Deposit A/cs., with Interest accrued, circular notes, etc.		44474574	**Investments,** viz. :—		
Acceptances		1564638	Consols and other British Securities (of which £370630 Consols is lodged for Public Accounts)	7204905	
Rebate on bills not due carried to next A/c.		31803	India Government Stock, Guaranteed Railway Stocks and Debentures	1083632	
Net Profit for the half-year, after making provision for doubtful debts	£291905		Metropolitan and other Corporation Stocks, Railway Debentures, and Colonial Bonds	1917827	
Transferred to premises account	25000		Other Securities	6716	10213080
	266905				
Carried to Reserve Fund	50000		Discounted Bills of Exchange current	7590062	
	216905		Advances to Customers	18901478	26491540
P/L. balance b/f. from last a/c.	89957	306862	Liabilities of Customers for Acceptances as per contra		1564638
			Bank Premises in London and country	579687	
			Less amount transferred from P. & L. A/c.	25000	554687
	£	49927877		£	49927877

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Dr. Profit & Loss Account for the half-year ending 31st December, 1912. Cr.

	£	£		£
To Interest paid to Customers		135466	By Balance b/f from last a/c.	89957
,, Salaries and all other expenses including income tax on profits and salaries, auditors' and directors' remuneration		295760	,, Gross profit for the half-year, after making provision for doubtful debts and including rebate £27281 17s. 6d., brought from 30th June last	754934
,, Rebate on bills not due, carried to new a/c.		31803		
,, Transferred to Premises A/c.		25000		
,, Carried to Reserve Fund		50000		
,, Dividend 10% for the half-year	£200000			
,, Bonus 1%	20000			
,, Balance carried forward	86862	306862		
	£	844891	£	844891

PETTY CASH BOOK. (See page 67).

Cash Received. £	s.	d.	Date.	Particulars.	Voucher No.	Totals £	s.	d.	Cartage and Carriage £	s.	d.	Travelling. £	s.	d.	Stationery. £	s.	d.	Postages and Telegms. £	s.	d.	Sundry Stores. £	s.	d.	Petties. £	s.	d.
			1911																							
20	-	-	Jan. 1	To Cash	CB1																					
			,, 2	By Carriage—Cook & Co.	1	-	15	6	-	15	6															
			,, 2	,, Telegrams		-	2	9										-	2	9						
			,, 3	,, Gratuities		1	5	6																1	5	6
			,, 3	,, Tram Fares		-	-	9				-	-	9												
			,, 5	,, Postage Stamps		2	10	-										2	10	-						
			,, 6	,, Teas		-	8	6																-	8	6
			,, 7	,, Carriage—F. Jones	6	-	1	10	-	1	10															
			,, 8	,, Cab Fare—H. Burt		-	4	6				-	4	6												
			,, 9	,, Labels—T. Sykes	9	-	15	-							-	15	-									
			,, 10	,, Matches		-	-	3																-	-	3
			,, 10	,, Asbestos—T. Marsden	11	-	18	6														18	6			
			,, 12	,, Cartage		-	10	-	-	10	-															
			,, 14	,, Twine—J. Holmes	15	-	2	6																-	2	6
			,, 15	,, Postal Wrappers		1	16	8										1	16	8					
			,, 16	,, Railway Fare to Eccles		-	5	10				-	5	10												
			,, 17	,, Carriage—F. Potts	19	-	3	6	-	3	6															
			,, 20	,, Post Cards		-	5	-										-	5	-						
			,, 22	,, Oil—J. Thorpe	24	1	3	6													1	3	6			
			,, 26	,, Pens		-	3	6							-	3	6									
			,, 31	,, Newspapers	32	-	7	6																-	7	6
12	1	1	,,	To Cash, Disbursements	CB2																					
						12	1	1	1	10	10	-	11	1	-	18	6	4	14	5	2	2	-	2	4	3
			,, ,,	By Balance c/d		20	-	-																		
£32	1	1				£32	1	1																		
20	-	-	Feb. 1	To Balance b/d																						

TABULAR HOUSEHOLD EXPENSES BOOK.

Cash Recd.	Date.	Details.	Board	Dress	Fuel and Light	Rent and Rates	Wages and Laundry	Education and Books	Church and Charity	Holidays and Amusemts	Insurance and Savings	Sundries	Total
£	1910												
20	Jan. 1	To Cash											
	,, 1	By Groceries	1 2 6										1 2 6

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PARS OF EXCHANGE and FOREIGN MONEY.

(See Par. 131).

PARS OF EXCHANGE.		*PRINCIPAL COINS.*	*Sterling.* s.	d.
Austria gives	11 gulden 15 kreuzers .....for £1 ..	100 new kreuzers=1 gulden or florin.....	1	11¼
Belgium ,,	25 francs 15 centimes..... ,, £1 ..	100 centimes=1 franc=		9½
Canada receives	49 pence.....for 1 Dollar ..	100 cents=1 dollar=.....	4	1
China ,,	5/10 ..... ,, 1 Tael ..	10 cash=1 candereen (Fun); 10 candereens= 1 mace (Tsien); 10 mace=1 tael (Leang)=	5	10
Denmark gives	18 kr. 34 öre .....for £1 ..	100 öre=1 krone (pl. kroner)	1	1⅓
France ,,	25 fr. 22·15 c. ..... ,, £1 ..	100 centimes=1 franc=		9⅓
Germany ,,	20 m. 43 pf. ..... ,, £1 ..	100 pfennige=1 reichsmarks=		11¾
Greece ,,	25 dr. 23 lepta ..... ,, £1 ..	100 lepta=1 drachmê=(1 franc)		9½
Holland ,,	11 fl. 19 st. ..... ,, £1 ..	100 cents=20 stivers=1 florin	1	8
India receives	16 pence stg. .....for 1 Rupee ..	192 pies=16 annas=1 rupee=	1	4
Italy gives	25 fr. 60 c. .....for £1 ..	100 centisimi=1 lira nuova=		9½
Norway ,,	18 kr. 38 öre..... ,, £1 ..	100 öre=1 krone (pl. kroner)=	1	1⅓
Portugal receives	53¼ pence stg. .....for 1 Milreis ..	1000 reis=1 milreis=	4	8½
Russia ,,	37½ do. ..for 1 Silver Rouble ..	100 copecs=1 silver rouble=	3	1½
Spain ,,	45¾ do. .....for 1 Peso ..	103 centisimos=1 peseta= ..... (1 peso=5 pesetas=100 reals.)		9½
Sweden gives	18 kr. 38 öre.....for £1 ..	100 öre=1 krona (pl. kronor) or riksdaler=..	1	1⅓
Switzerland ,,	25 fr. 38 rap. ..... ,, £1 ..	100 rappen or centimes=1 franc=.....		9½
Turkey receives	1½ to 2½d. stg. .....for 1 Piastre ..	40 paras=1 piastre, and 100 piastres=1 lira Turca (£)	18	0
United States receives	49 5/16d. stg. .....for 1 Dollar ..	100 cents=1 dollar in gold=	4	1

COURSE OF EXCHANGE, (See par. 133). *Extracted from "The Times."*

Amsterdam and Rotterdam, 12·2 to 12·3	St. Petersburg, 3 months, $25\frac{7}{16}$ to $25\frac{9}{16}$
Do. do. 3 months, $12{\cdot}3\frac{3}{4}$ to $12{\cdot}4\frac{1}{4}$	Genoa, 3 months, $26{\cdot}68\frac{3}{4}$ to $26{\cdot}78\frac{3}{4}$
Antwerp and Brussels, 3 months, $25{\cdot}36\frac{1}{4}$ to $25{\cdot}41\frac{1}{4}$	Leghorn, do. $26{\cdot}68\frac{3}{4}$ to $26{\cdot}78\frac{3}{4}$
Hamburg, 20·57 to 20·61	Naples, do. $26{\cdot}68\frac{3}{4}$ to $26{\cdot}78\frac{3}{4}$
Berlin and German Bank Places, 20·57 to 20·61	Madrid, do. $40\frac{7}{16}$ to $40\frac{11}{16}$
Paris, cheques, $25{\cdot}21\frac{1}{4}$ to $25{\cdot}26\frac{1}{2}$	Lisbon, do. $40\frac{3}{4}$ to $40\frac{7}{8}$
Do. 3 months, $25{\cdot}33\frac{3}{4}$ to $25{\cdot}38\frac{3}{4}$	Oporto, do. $40\frac{13}{16}$ to $40\frac{15}{16}$
Marseilles, do. $25{\cdot}33\frac{3}{4}$ to $25{\cdot}38\frac{3}{4}$	Copenhagen, do. 18 31 to 18·35
Austria, do. 12·27½ to 12·30	Christiania, do. 18·32 to 18·36
Moscow, do. $25\frac{3}{8}$ to $25\frac{1}{2}$	Stockholm, do 18·32 to 18·36

To put the above into simple language it would read as follows :—

Amsterdam and Rotterdam	for short-dated	London Bills	..	..gives 12 florins 2 to 3 stiver per	£1 Sterling.
Do. do.	,, 3 months	do.	..	.. ,, 12 florins $3\frac{3}{4}$ to $4\frac{1}{4}$ stiver ,,	£1 do.
Antwerp and Brussels	,, do.	do.	..	gives 25 francs $36\frac{1}{4}$ to $41\frac{1}{4}$ cents. ,,	£1 do.
Hamburg	,, do.	do.	..	,, 20 marks 57 to 61 pfennige ,,	£1 do.
Berlin and German Banks	,, do.	do.	..	,, 20 marks 57 to 61 pfennige ,,	£1 do.
Paris	,, short-dated	do.	..	,, 25 francs $21\frac{1}{4}$ to $26\frac{1}{4}$ cents. ,,	£1 do.
Paris	,, 3 months	do.	..	,, 25 francs $33\frac{3}{4}$ to $38\frac{3}{4}$ cents. ,,	£1 do.
Marseilles	,, do.	do.	..	,, 25 francs $33\frac{3}{4}$ to $38\frac{3}{4}$ cents. ,,	£1 do.
Austria	,, do.	do.	..	,, 12 gulden $27\frac{1}{2}$ to 30 kreuzer ,,	£1 do.
Moscow .. receives	,, do.	do.	..	from $25\frac{3}{8}$ to $25\frac{1}{2}$ pence Sterling per Rouble.	
St. Petersburg ,,	,, do.	do.	..	,, $25\frac{7}{16}$ to $25\frac{9}{16}$ pence	do.
Genoa	,, do.	do.	..	gives 26 lire $68\frac{3}{4}$ to $78\frac{3}{4}$ cents. per	£1 Sterling.
Leghorn	,, do.	do.	..	,, do. do. ,,	£1 do.
Naples .. receives	,, do.	do.	..	,, do. do. ,,	£1 do.
Madrid	,, do.	do.	from $40\frac{7}{16}$ to $40\frac{11}{16}$ pence Sterling per peso (5 pesetas).		
Lisbon .. ,,	,, do.	do.	,, $40\frac{3}{4}$ to $40\frac{7}{8}$ pence do.	do.	
Oporto .. ,,	,, do.	do.	,, $40\frac{13}{16}$ to $40\frac{15}{16}$ pence do.	Milreis.	
Copenhagen ,,	,, do.	do.	..	gives 18 kroner 31 to 35 öre per	£1 Sterling.
Christiania ,,	,, do.	do.	..	,, 18 kroner 32 to 36 öre ,,	£1 do.
Stockholm ,,	,, do.	do.	..	,, do. do.	£1 do.

TABLE OF USANCE AND DAYS OF GRACE.

Bills drawn in London on	*USANCE.*	*Days of Grace.*
Altona	1 month after date	12
Amsterdam	Do.	none
Antwerp	Do.	none
Barcelona	60 days after date	14
Berlin	14 days after sight	3
Bilbao	2 months after date	14
Bremen	1 month after date	8
Bruges	Do.	—
Buenos Ayres	60 days after sight	—
Cadiz	2 months after date	6
Constantinople	31 days after date	—
Dantzic	14 days after acceptance	10
France	30 days after date	none
Frankfort-on-Main	14 days after acceptance	4
Florence	30 days after date	—
Genoa	3 months after date	none
Geneva	30 days after date	5
Gibraltar	2 months after sight	14
Hamburg	1 month after date	12
Holland	Do.	—
Italy	3 months after date	—
Leghorn	3 months after date	none
Liepsic	14 days after acceptance	none
Lisbon	60 days after date	6
Madrid	Do.	14
Malta	30 days after date	3
Milan	3 months after date	—
Naples	Do.	none
Oporto	60 days after date	6
Palermo	3 months after date	none
Paris	1 month after date	none
St. Petersburg	none	10
Portugal	60 days after date	—
Rio de Janeiro	30 days after date	5
Rotterdam	1 month after date	none
Rome	3 months after date	—
Rouen	1 month after date	—
Seville	60 days after date	—
Smyrna	31 days after date	—
Sweden	30 days after sight	—
Switzerland	30 days after sight	—
Venice	3 months after date	6
Vienna	14 days after acceptance	3
West Indies	31 days after acceptance	—

"LOCO" SHIPPING INVOICE. (see par. 640).

INVOICE of 5 Cases Goods shipped by JONES & CO., at Liverpool, per S.S. "Victoria," for Calcutta, by order and for account and risk of Messrs. BRUCE & SYKES, Calcutta.

Order No. 2000.
Indent No. 1520.

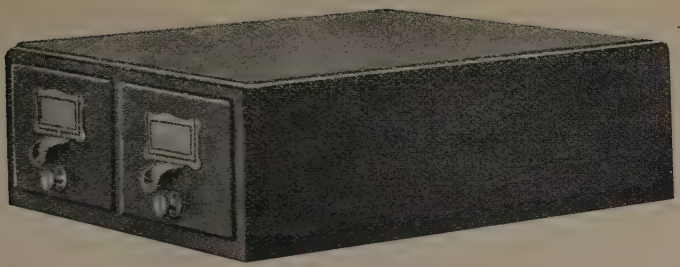
B/L. dated 10th July, 1911.
Insurance effected here.

B / J / S		£	s.	d.	£	s.	d.
	Grey Dhooties.						
	½ in. coloured Border						
1000	1 B/- 400 pcs., 42in., 17 by 15. 60/70 T.NO. 500						
1001/4	4 B/s 1600 ,, 44in., ,, ,, ...512						
	2000 ,, at 1/8 15/16	132	16	3			
	Less 2½ per cent.	3	6	5	129	9	10
	CHARGES :—						
	Freight on 58ft. 9in. at 32/6 ..... £2 7 8						
	Primage at 10 per cent. ..... - 4 9	2	12	5			
	B/L. 2/- Contract 10d.	-	2	10			
	Packing 5 B/s at 20/-	5	-	-			
	Tickets (none)						
	Telegrams	-	14	-			
	Postages and Bill Stamps	-	6	-			
	Fire Insurance on £129	-	1	4			
	Marine do. £150 at 5/9 % less 5 & 10 per cent. and stamp	-	7	11	9	4	6
					138	14	4
	Commission at 2½ per cent.				3	9	4
				£	142	3	8

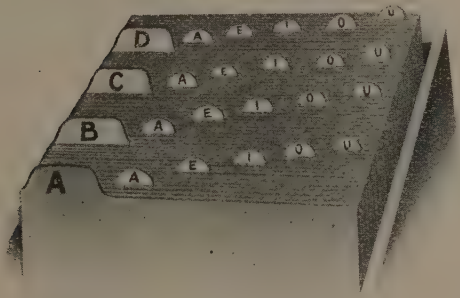
Stamped—2 headed Swan

E. & O. E., Manchester,
13th July, 1911.
JONES & CO.

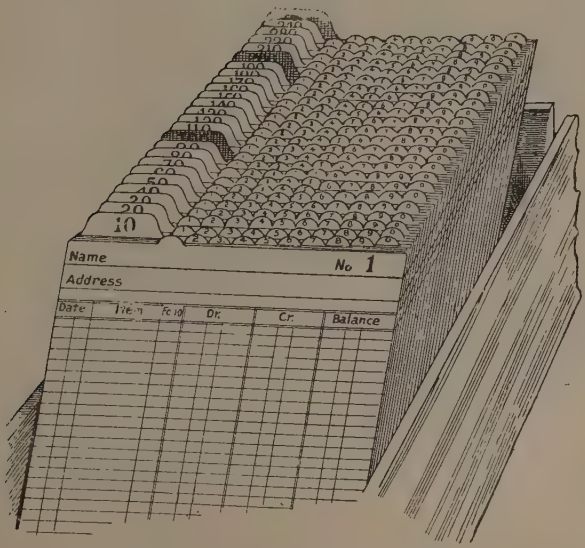
	A		E		I		O		U		Y	
A	Allan & Co.	5	Ankrett. Harry	18	Aitken, John ...	43	Argo, James.....	71	Arthur & Co.....	100	Ayres. Wm.	130
	Astman, Geo. ...	10	Ansell, Geo.....	34	Ainley, Bros.....	46	Ashton & Jones	84	Austin, Henry...	109	Addy, B. M.....	136
			Anderton, Thos.	62			Armstrong & Co.	97				
B	Banks, Frank ...	6	Best, Oliver	8	Brierley, Joseph	51	Brooks, Bros. ...	93	Burton & Sons...	106	Byles & Cross ..	119
	Bailey, Ernest...	16	Bedell, Thos. ...	39	Binks & Co.	81	Booth, Edwin ...	98	Burns, Robert...	112	Blyde, Chas. ...	134
			Bleasby, Alb. ...	47			Brown, T. C. ...	104	Bruce & Co.....	116	Blyth, John	150
C	Cranston & Co.	3	Cecil, Robert ...	129	Christie & Sons	2	Collins, Eli	31	Churley, Fred..	63	Cryer, Thos.....	101
	Clarke, Benj. ...	9	Cherry, Saml. ..	182	Clifton, Walter...	170	Coombs, J.	60	Cusworth, Wm.	68	Chrystal, Geo. .	108
	Carter & Sons...	19					Crowther, Jas....	64				
D	Davis, Chas.....	28	Dean & Sons ...	17	Dixon, Alf.	2	Doulton & Co....	48	Dunbar, Jas.....	42	Dyke, Wm.	36
	Drabble, Thos...	35	Drew, Jane	20	Dwight, Percy...	56	Dobson, Richd.	59	Dudley, S. E. ...	73	Dyne, Arthur ..	61
	Dalton, Jabez ...	86					Dove, James.....	70	Drudge, Geo. ...	105	Drywood & Co	111



CARD INDEXING.



VOWEL INDEX.



NUMERICAL CARD LEDGER.

ACCOUNT CURRENT.

Messrs. Owen & Dew, New Orleans.

In Account with **Chas. Mee & Co., Ltd.**, London.

Dr. Interest @ 5% per ann. to 30th June, 1910. **Cr.**

		Principal £	s.	d.	Days	Interest £	s.	d.
1910								
Jan. 1	To Balance b/f	676	6	3	181	16	15	6
,, 31	,, Cash paid to meet your Sight Draft	16	10	-	150	-	6	10
Feb. 4	,, Acceptance of your Draft due 4th April	250	-	-	87	2	19	7
,, 28	,, Cash paid to meet your Sight Draft	61	5	-	127	1	1	3
April 4	,, Acceptance of your Draft due 4th June	250	-	-	26	-	17	10
,, 6	,, Cash paid to meet your Sight Draft	134	2	-	85	1	11	3
May 5	,, Ditto	114	10	6	55	-	17	3
June 4	,, Acceptance of your Draft due 4th August	250	-	-	**35**	* **1**	**4**	-
,, 30	,, Balance of Interest	2	7	11				
		£ 1755	1	8		24	9	6
July 1	To Balance b/f	166	8	11				

		Principal £	s.	d.	Days	Interest £	s.	d.
1910								
Feb. 5	By A/S of Cotton	767	17	9	145	15	5	1
May 11	,, Ditto	820	15	-	50	5	12	6
June 30	,, *Interest in red*					* 1	4	-
	,, Balance of Interest					2	7	11
	,, *Balance c/f*	166	8	11				
		£ 1755	1	8		24	9	6

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E. & O. E.

London, 30th June, 1910.

Chas. Mee & Co., Ltd.

ACCOUNTANCY, BANKING, LEGAL, AND COMMERCIAL COMPENDIUM.

501. ACCOUNT, SETTLING, or **SETTLEMENT DAYS** are the dates fixed by the Committees of various British Stock Exchanges for the completion of transactions. In Consols and a few kindred securities, these account days are once a month, usually during the first three or four days; in all other stocks, twice a month, about the middle and end. Each Settlement occupies three days—1st, **contango day,** when arrangements are made for the continuation of transactions or bargains; 2nd, **name day,** when the names of buyers of registered securities are passed to the sellers; and 3rd, **pay day,** or account day proper, when securities are delivered, the money obtained, and **differences** settled. All transactions done during the account, unless specially arranged otherwise, are made for the Settlement following. Generally speaking, the Settlements on the Provincial Exchanges are fixed a day earlier than those on the London Exchange. This facilitates the payments of money due on transactions between these markets and London. **Bargains** *for Account* are contracts made for settlement on the next Settling Day, on the Stock Exchange, and are thus distinguished from bargains *for money* which are settled immediately on being made.

502. ACCOUNTANT. A person skilled in keeping and balancing books, and who is usually employed by merchants, public companies, &c , to prepare a/cs. and balance sheets, or to audit their books and a/cs. An **audit** is a thorough examination by an auditor of all books, a/cs., vouchers, securities, &c., with the threefold object of detecting (1) fraud, (2) technical errors, (3) errors of principle. Audits generally take place periodically, and are usually, though by no means universally, conducted by professional auditors. These **auditors** are elected by the shareholders, and are legally supposed to be their representatives, acting as a check upon the Boards of Directors. In common practice the directors select auditors to suit themselves, and get them *pro forma* elected by the shareholders at the annual or semi-annual meeting. From this habit, it results that the auditors of a public company have seldom any particular incentive to oppose the wishes of the Board. Often they aid Boards in perpetrating deceptions on the shareholders, and, even when they do not go so far, they seldom possess the independence they should have did the shareholders really appoint them; nor are their powers large enough. The accounts of railway companies are seldom audited by professional accountants, and cannot be said to be really looked into at all by competent people outside the management. The most important Acts of Parliament which contain provisions as to audit are :—Companies Clauses Consolidation Act, 1845; Regulation of Railways Act, 1868; Public Health Act, 1875; Friendly Societies' Act, 1875; District Auditors Act, 1879; Municipal

Corporations Act, 1882; Trustee Savings Bank Act, 1893; Building Societies Act, 1894; **Companies (Consolidation) Act, 1908.** The latter provides that every Company shall at each Annual General Meeting appoint an auditor to hold office until the next Annual General Meeting. Every auditor has the right of access at all times to the books, accounts and vouchers of the Company, and is entitled to require from the Directors and Officers such information and explanations as may be necessary for the performance of his duties. The Auditor must make a **Report** to the shareholders of the accounts examined and of every Balance Sheet laid before the Company in General Meeting during his tenure of office, and the Report must state (*a*) whether or not he has obtained all the information and explanations required; and (*b*) whether, in his opinion, the Balance Sheet referred to in the Report is properly drawn up, so as to exhibit a true and correct view of the state of the Company's affairs according to the best of his information and the explanations given to him, and as shown by the books of the Company.

503. An **ACCOUNT CURRENT (A/C.)** sometimes called a running a/c., is a detailed Dr. and Cr. statement, copied from the Ledger containing an a/c. of the transactions which have taken place between you and a person during a certain time. An A/c. is usually rendered either quarterly, half-yearly, or yearly, and is generally made out with the interest charged or allowed upon each item. Sometimes **red ink interest** has to be stated in an A/c. Interest in red is that upon current B/E., reckoned from the time the interest is made out to the time the bills become due. In the example given on page 704 you will notice that the acceptance of 4th June has 35 days to run from 30th June to 4th August. The amount £1 4 - must be entered in red ink on the Dr. side, but must *not* be included in the total of that column. The £1 4 - must be *credited* to Owen & Dew, as they are deprived of the use of the £250 for 35 days beyond the time of making up the A/c. An **account stated** is one showing a balance which has been *agreed upon* by the parties. It differs from an **open a/c.** in that the burden of *proof* is thrown upon the party who seeks to question it, the balance not having been agreed upon between the parties. An **Account rendered** is one where the details have been set forth in a previous Statement, and the amount is brought forward in a single item on a subsequent Statement, and entered thus:—*To Account rendered £125.*

504. ADMINISTRATION, Letters of. When a person dies intestate (without Will) his real estate (land with buildings thereon) passes immediately to his heir; while his *personal estate* (which includes money and all other kinds of property) has to be administered for the benefit of (1) his creditors (2) the next of kin entitled to enjoy the surplus after payment of his debts. The Administrator is the person to whom the Probate Court grants L. of A. empowering him to take possession of and distribute the goods and effects of the intestate.

505. ADVICE. A written communication giving information that some special transaction has been or is to be effected; particularly used with reference to *advising* the drawing and honouring of bills, and the shipment of goods.

506. AFFIDAVIT. A written statement sworn before a person having authority to administer an **Oath,** which is an appeal to God to witness the truth of a statement.

507. An **AGENT** (**Agt.**) is one who is empowered to represent a principal, or one who buys or sells, or is entrusted with the business of another. Contracts and arrangements made by an agent are binding upon his principal or employer, provided they are made in the usual course of business, and are understood to be on behalf of his principal. Every Manager, Clerk, Traveller, Workman, or other employee of a trader is an agent within certain limits, for carrying on the business. A **Broker** is an intermediate agent employed by merchants to buy and sell any commodity for them. The fee charged by brokers for transacting business for their principals is called brokerage. Stockbrokers call it commission. A **Factor** is an agent dealing *in his own name,* entrusted with the possession, management and disposal of property belonging to another. The general duty of a factor is to procure the best intelligence of the state of trade at his residence; of the course of exchange; of the quantity and quality of the goods at market; their present price, and the probability of a rise or fall; to pay exact obedience to the orders of his employers; to consult their advantages in matters referred to his discretion; to execute their business with all the dispatch that circumstances will admit; to be early in his intelligence, distinct in his a/cs., and punctual in his correspondence. The *differences* between a Factor and Broker are as follows:—A Factor (1) deals in his own name, (2) is always personally liable on his contracts unless he contracts specially as agent, (3) has possession of goods as well as being entrusted with their disposal. A Broker (1) deals in the name of a principal, (2) is never personally liable unless he contracts as principal, (3) is entrusted with disposal of goods but not possession. **Del Credere** is a term, used in trade, in reference to an agreement between an agent and his principal, whereby the former, in consideration of an additional amount being paid to him, besides his usual commission, undertakes to guarantee the payment for goods sold through his agency, and becomes thereby liable to his principal for the amount, in case of the insolvency of the purchaser. Such extra commission to the agent is called "del credere." **Per procuration** (per pro.) By procuration; an agency. The power given either by Letter or Power of Attorney to an agent or clerk to sign cheques, bills of exchange and other documents, on behalf of a principal, or firm, thus:—*p. pro.* Middleton & Sons.
Arthur Fieldhouse.
The effect of such a signature is that it operates as notice of a limited authority in the agent, and the principal is only bound if

the agent was acting within his authority; hence, if an offer to accept, or draw, or endorse a B/E. be made by an agent, the holder may and should require the production of his authority, and if not produced, may treat the bill as dishonoured.

508. An **AGREEMENT** is a written contract entered into between two or more parties relating to some act to be done or not to be done by one of such persons towards the other. Where the sixpenny adhesive stamp is not used at the time of execution, the time allowed for stamping agreements underhand, liable to the fixed duty of sixpence, is 14 days, and for all other instruments (which are not required to be stamped before execution) chargeable with *ad valorem* duty, 30 days.

509. **AMORTISATION.** The redeeming of bonds or shares, or the gradual diminution of a debt, by means of annual drawings from a sinking fund; or the complete extinguishment of a loan by a single payment out of some special fund set apart for that purpose.

510. **ANNUITIES** are of various kinds—perpetual, terminable, life, or deferred. The debt of the British Government is perpetual, but subject to periodical revisions of the rate of interest to be given upon each £100 of capital inscribed upon the books of the public debt. English railway debenture stocks are also perpetual annuities. Some insurance companies, have issued a certain number of permanent annuities of £1 each. These are dealt in and quoted on the Stock Exchange at so much for each annuity of £1. **Terminable** annuities are annual sums payable to those entitled to them for a fixed number of years, such as the annuities of those of the Indian railways which have been purchased by the Indian Government. These Indian railway annuities are usually in two classes, "A" and "B." The "B" annuities, of £1 each nominal, are subject to a deduction for expenses and sinking fund. The money set aside for this sinking fund is allowed to accumulate, and will be divided among the holders at the date of expiry. "A" annuities of £1 each are only subject to a deduction of a few pence for expenses; at the date of their termination the holders have no claims against the railway for capital to be repaid. Buyers of the "A" annuities have therefore to form their own sinking funds, by laying by a portion of the annuity each year. That National Debt Commissioners hold terminable annuities in consideration of their having paid over or surrendered so much in Consols. The bonds of French railways are likewise terminable annuities. **Life** annuities are payable during the life of the individual entitled to them, or during the joint lives of a man and his wife, or of any persons to whom the vendor of the annuity may agree to pay the money. Except in the case of permanent annuities, like those represented by the interest on Consols, all annuities imply an extinction of capital. The person or persons in the enjoyment of a life annuity receives back each year a proportion of the capital originally paid for it along with the interest. Provided that they are made with good insurance companies, or with the Government, these annuities are, therefore, an

excellent mode of disposing money for those who have no heirs. **Deferred** annuities are those payable from a stated *future* date until death occurs—the purchase money being paid from the present time until the commencement of the annuity, either in a lump sum, or in periodical instalments. The purchase of a deferred annuity to commence at (say) age sixty by quarterly payments from now until that date is a convenient way for a young person to acquire an old age pension with a minimum of inconvenience as regards payments.

511. ARBITRATION. The reference, by parties to a dispute, of the matter at issue to a third party (termed an **Arbitrator**) for decision by him, instead of commencing a law-suit. Settlement of commercial disputes by Arbitration is of frequent occurrence. The Arbitrator must be a business or professional man acceptable to both parties. Sometimes *each* party to the dispute nominates an arbitrator, who, in case they cannot agree, appoint a third party known as an **Umpire.** The decision arrived at by the Arbitrators or Umpire is termed their **Award.** A Submission to Arbitration may be made a rule of Court on the application of either party, and if this has been done, the Award may be enforced with the Court's assistance ; otherwise the only means of compelling the party against whom the Award has been given, to satisfy its directions, is to bring an action and to obtain judgment on the basis of the Award.

512. ARRANGEMENT, Deed of. An instrument embodying an agreement between a debtor and the general body of his creditors for the purpose of modifying the Debtor's obligations without resorting to bankruptcy proceedings. An arrangement of this nature is only binding on those creditors who expressly assent to it. Such a Deed is void unless stamped and registered.

513. ASSETS are the whole of the funds, money, goods, and other property of every description belonging to a person or company, which may be made liable for debts. Assets include the debts owing to you by others. Assets are the debit balances of the real and personal a/cs. in the Ledger. *Wasting Assets* are those which decrease in value, either by wear or tear, by the progress of invention, or by the effluxion of time.

514. ASSIGNMENT. An absolute transfer by deed of some right, interest, property or goods to another, called the assignee. A trader (the assignor) will sometimes execute an assignment for the benefit of his creditors, so as to enable them to realise his estate, and out of the proceeds, to declare a dividend upon the amount of their respective debts. The assignor should be careful to provide what shall be done with a surplus should the estate be so fortunately managed as to result in a surplus after paying 20/- in the £. Unless he provides that the surplus shall be handed to him or his family, a recent decision in the House of Lords (Smith v. Cooke) shows that it will belong to the creditors although it might lead to their actually receiving 40/- in the £.

515. AVERAGE (Av.). In marine insurance, what is known as "average" is the contribution made by the owners of the ship, freight or cargo, or their underwriters, to a particular individual who has had to sacrifice his property for the safety of the goods of the rest. This contribution equalises the loss among all parties interested. Average may be either *General or particular*. In the one case it affects all who have an interest in the ship, freight, or cargo; in the other it only affects some of them. **General Average (G/A.)** is where the goods of a particular merchant are cast overboard in a storm, to save the ship from going down; or where the masts, cables, and other gear have to be cut away; or where expense is incurred in obtaining the ship's discharge from an unjust capture or in defending a suit in a foreign Admiralty Court. In these and similar cases a general contribution is fair enough. To establish a claim for general average the danger must be imminent and general and the sacrifice indispensable. When the Captain arrives on shore, he should, with some of his men, make oath that the sacrifice was made solely for the general safety of the ship and goods, crew and passengers. **Particular Average** is any ordinary loss arising from the partial damage of a ship or cargo from the common perils of the sea and navigation incident to a voyage, and not involving their general safety. Such a loss rests where it falls, and is borne by the owner or insurer, **"f.p.a."** is an abbreviation of "free of particular av."

516. AVERAGE DUE DATE. This is a date determined upon by an arithmetical operation known as "Equation of Payments," whereby a single payment can be equitably made in lieu of several payments upon different dates. To calculate the average due date upon which the total of several sums, falling due on different dates, should be paid, multiply the different amounts by the number of days between the *first* date and the date upon which the other sums fall due; divide the sum of these products by the sum of the amounts, and the result is the number of days between the first date and the average due date, *e.g.* :—

Date.	Amount due.	Days from 1st March	Product.
March 1	£300 ..	0 ..	0
April 2	200 ..	32 ..	6400
May 4	150 ..	64 ..	9600
June 5	350 ..	96 ..	33600
	£1000		49600

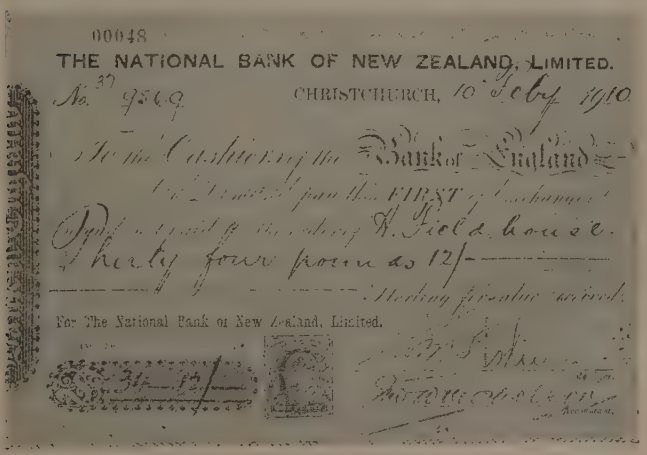
Dividing 49600 by 1000 gives $49\frac{600}{1000}$; call this 50 days which must be added to 1st March, which gives 20th April, this being the average date.

517. BANKER'S DRAFTS are Bills of Exchange drawn by one banker upon another, requesting the payment of a sum of money to the order of the person named, generally on demand. The second

banker is generally the London Agent of the country banker. For persons having no banking a/c., who may have to make either an inland or a foreign remittance of more than £20, a Banker's Draft is the most convenient mode and may be had *free of charge if drawn payable at 7 or 10 days.* The amount must be paid over the counter, together with the banker's commission if the draft is on demand. If you had a banking a/c. and ordered a Draft, the banker would debit your a/c. with the amount and commission. Such drafts do not need to be accepted like term bills, because the drawee pays you immediately the bill is presented. If you were going abroad and wished to avoid carrying a large amount of cash, you could lodge your money in the bank and take a Draft on your banker's foreign Agent, who would give you cash for the draft on arrival at your destination, no charge being made for such a foreign draft.

Some business men remit their creditors drafts in preference to cheques. A slip is filled up giving all the particulars of the drafts required, and then handed to the banker. He draws and signs the drafts, which you remit in due course. The chief advantage of these drafts is that the London agent of the country banker is informed of the amounts of the drafts, thus rendering any attempt at fraud or forgery impossible.

The following is an illustration of a **Foreign Banker's Draft,** on demand, drawn in duplicate, this being the *First of Exchange.*


00048

THE NATIONAL BANK OF NEW ZEALAND, LIMITED.

No. 37 9569 CHRISTCHURCH, 10 Feby 1910

To the Cashier of the Bank of England

[illegible] pay this FIRST of Exchange

[illegible] H. Fielden house

Thirty four pounds 12/-

Sterling first value received.

For The National Bank of New Zealand, Limited.

34 12/-

[illegible]

Accountant.

518. BANK POST BILLS (B.P.B.), which are not subject to days of grace, are promissory notes to order, payable at seven or sixty days after sight, issued by the Bank of England for any sum from £10 to £1000. Any person may obtain a post bill free of charge (the use of the money being accepted by the Bank as a sufficient remuneration), upon depositing with the Bank or any of its branches, that sum for which the bill is required. These bills, which are really Banker's Drafts, form an easy means of transmitting money from one part of the kingdom to another.

Bank of England, Leeds Branch.
No. 1782. £100, without acceptance.

Seven days after date pay this sola Bill of Exchange to Edwin Gay, or order, One Hundred Pounds sterling for value received.

Leeds, 9th October, 1911,
REGINALD T. WEST, Agent.

To the Cashiers of the Bank of England, London.

519. The **BANK RATE** of Discount is that charged by the Directors of the Bank of England for discounting the bills of its customers. The Bank Rate is regulated by the Directors at their weekly meeting, according to the demand for advances, the quantity of gold in the market, and the amount of reserve in the Bank. It may seem strange, but is literally true, that money rises and falls in value, just like any other commodity. When the Bank Rate is low, we say money is cheap; when it is high, we say money is dear. The object sought by the advance of the Bank Rate is to stop the withdrawal of Gold from the Bank; and, on the contrary, when gold is plentiful at the Bank, the rate is lowered, to cause the withdrawal of gold to other countries where it is more valuable. The Bank Rate for the 1st April 1910, was 4%, and the rates of discount in the *open market* were as follows:—

Bank Bills.		Trade Bills.	
Three months	3⅝	Three months	4¼
Four „	3⅝ to 3 11/16	Four „	4¼
Six „	3½	Six „	4¼ to 4½

520. BANK RETURN. The Report issued by the Bank of England every Thursday afternoon, and which is looked for not only by City men, but by merchants and bankers all over the kingdom. It shows the amount of Bank notes in circulation, the stock of Bullion and Coin in reserve, and such other details as enable the experienced to judge of the state of the money market and its probable tendency in the immediate future. The following is the official Return published on the 2nd June, 1910; also the Consolidated A/c. in the form of an ordinary Balance Sheet, except that there is no record of the Bank's premises, which are worth some millions.

BANK OF ENGLAND.

An account, pursuant to the Act 7 and 8 Vict., cap. 32, for the week ended on Wednesday, June 1st, 1910 :—

Issue Department.

Notes Issued	£57762000	Government Debt	£11015100
		Other Securities	7484900
		Gold Coin and Bullion	39312000
		Silver Bullion	—
	£57762000		£57762000

Banking Department.

Proprietors' Capital	£14553000	Government Securities	£14938716
Rest	3141738	Other Securities	32405741
Public Deposits, including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts	23037383	Notes	29386140
		Gold and Silver Coin	1131289
Other Deposits	37108591		
Seven-day and other Bills	21174		
	£77861886		£77861886

J. G. NAIRNE, *Chief Cashier.*

CONSOLIDATED ACCOUNT or BALANCE SHEET.

Liabilities.		Assets.	
PROPRIETORS' CAPITAL	£14553000	Government Debt	£11015100
Notes in circulation	28375860	Other Securities in issue dept.	7484900
Public Deposits, etc.	23037383	Government ditto in banking.	14938716
Other Deposits	37108591	Other Securities in ditto	32405741
Seven-day and other Bills	21174	Coin and Bullion on hand	40443289
REST or undivided profit	3141738		
	£106237746		£106237746

The above return shows the following changes compared with the previous week :—

Active circulation of notes	Increase	£254705
Public Deposits	Increase	1741010
Other Deposits	Decrease	676670
Government Securities	Increase	1019284
Other Securities	Decrease	1499388
Bullion	Increase	1773775
Notes in reserve	Increase	1448410
Rest	Decrease	24537
Reserve	Increase	1519070

Proportion of Reserve to Liabilities 50·72 per cent. against 49·06 per cent. last week.

From the **Return** of the **Issue Department** it appears that at the close of business on 1st June, the Bank of England had its **notes issued** outstanding to the extent of £57762000, against which it held coin and bullion for £39312000, and securities for £18450000. Under the **Bank Charter Act, 1844**, the Bank was authorised to issue notes to the extent of £14000000, against securities, and given the power of increasing this *fiduciary issue*, on the discontinuance of the issue of notes by any country bank authorised to issue notes, to the extent of two-thirds of the lapsed issue of such country bank,

and it is through the exercise of the right so conferred that the issue against securities has increased from £14000000 to £18450000. It will be noticed that, of the notes issued by the Issue Department, £29386140 were held by the Banking Department. Hence, notes to the extent of £28375860 were in the hands of the **public**—including the other banks—and constituted the **active circulation** of the Bank at the date of the above Return.

In the **Return** of the **Banking Department** the first item is **Proprietors' Capital.** The amount thereof—£14553000, the largest paid-up capital of any bank in the world—gives to the Bank a position of absolute stability and of unrivalled strength.

The **Rest** consists of the surplus or **undivided profits** to date of the Bank's business. As the directors never allow this fund to fall below £3000000, it is to that extent of the nature of a **reserve fund.**

The amount standing to the credit of **Public Deposits** represents the balances at the credit of the accounts of the British Government departments, the Secretary of State for India, and kindred accounts. The amount varies from about £6000000 to £11000000, being greatest usually during March of each year, when the collection of income and other taxes is specially heavy, causing the amount to run up to over £20000000.

The amount at the credit of **Other Deposits** represents the Bank's liability to its ordinary customers, including the chief London banks, which keep their **floating balances** with the Bank.

The balance at the credit of **Seven day and other bills** represents the Bank's liability in respect of bills issued by its branches at a currency of **seven days fixed** for remittance purposes.

On the **assets** side of the Return of the Banking Department, the first item is **Government Securities.** These are such securities held by the Bank as yield an **income** guaranteed by the British Government—Consols, Exchequer Bonds, Treasury Bills, &c.

The **Other Securities** include the Bank's **investments** in Indian, Colonial and Corporation securities, bills under discount, and advances to bill brokers and to its ordinary customers.

The **Notes, Gold** and **Silver Coin** jointly constitute the **Reserve,** the **actual cash held** by the Banking Department to meet its liabilities to the public, that is, in respect of Public Deposits, Other Deposits, and Seven day and other bills In the above Return it will be noticed that the notes, gold and silver coin, amounted to £30517429, as compared with liabilities to the public of £60167148. The ratio of cash to liabilities on 1st June, 1910, was thus 50%.

521. BILLS OF EXCHANGE. Drawer's Liability. The drawer of a Bill, by drawing it, engages that on due presentment it shall be accepted and paid, that if it be dishonoured he will compensate the holder or any endorser who is compelled to pay it, provided that the requisite proceedings on dishonour be duly taken. By drawing a bill, the drawer gives an implied undertaking that upon presentment to the Drawee it shall be accepted.

To endorse a Bill is to write one's name across the back of a bill, thereby engaging to compensate the holder or a subsequent endorser should it be dishonoured by the acceptor. By endorsing a bill, an endorser takes upon himself the responsibility of a new drawer. Endorsements are divided into two classes, *blank* or *general* and *special*. A **blank** endorsement is one where the **endorser** (in order to transfer his interest in the bill) simply writes his name on the back of the bill without specifying the **endorsee.** An endorsement is **special** when the endorser transfers his interest in the bill to some special endorsee say John Smith, as follows :—

Pay John Smith, or order.
Pupil Bros.

The effect of this special endorsement is that the instrument is only payable to the order of John Smith, who must further endorse it on negotiation. **An Agent,** or any other person who endorses and does not want to become *personally* liable, should add to his name the words **sans recours,** or **without recourse to me,** by which means he will avoid the contingent liability to which he would otherwise be subject, if the acceptor failed to honour the bill. In addition to the endorsements consequent upon the ordinary negotiation of a bill, it sometimes happens that the acceptance by a certain person of a bill is not considered sufficient. That person may not be regarded as reliable for payment of the amount, and the drawer insists on someone endorsing or **backing** the bill which leads to a friend of the acceptor endorsing it, and thereby making himself liable for the amount in case of dishonour. Endorsers of a bill must therefore be always informed of dishonour, as all of them are, collectively and individually, liable for the amount. When the back of a bill is filled with endorsements, further signatures may be written on an **allonge,** which is a slip of paper of similar size and shape to a bill, pasted on the end thereof. The allonge must be attached to the bill before it is endorsed, otherwise it might become affixed to the wrong bill. The first endorser on the allonge should so write his name that it appears partly on the bill and partly on the allonge, in order that the allonge may not be detached and attached to another bill of higher amount.

In **negotiating** a bill, although endorsement is generally required for the security of the transferee, it is not always absolutely necessary. For instance, a bill or note payable to bearer is negotiated by delivery, as well as a bill or note payable to a person named, *after* he had endorsed it in blank, which endorsement makes it payable to bearer, and therefore also negotiable by mere delivery or transfer of possession. The person delivering the bill is called the **transferor,** and the person receiving it the **transferee.** Unlike an endorser a mere transferor does not, of course, incur any liability on the bill. A bill drawn in favour of *Tom Sykes only* would prohibit its transfer, and would therefore be **not negotiable,** that is, its value could not be transferred to another by delivery. The same remarks apply to a bill with a **restrictive endorsement** as *Pay John Smith only, Pupil Bros.*

Case of Need. The drawer of a bill being unable to know for certain whether the drawee will accept or, having accepted, will pay, may insert the name of a person to whom the holder may, if he pleases, resort in case of non-acceptance or non-payment. This person is called a "*referee in case of need*." In other words a "case of need" is a statement occasionally put upon a bill of exchange by the drawer or one of the endorsers, naming a person who will guarantee its payment, and to whom the holder may have recourse in case of dishonour. The following is the usual form :—

"In case of need apply to JOHN SMITH,
622 Moorgate Street, E.C.
Pupil Bros."

The purport of this is, that if the bill is not paid at maturity, John Smith (who knows your firm to have a reputation for integrity and financial honour) will pay it for your honour. Pupil Bros. would, of course, communicate with John Smith and ask him (if necessary) to **protect their signature** by accepting the draft, so that they might be saved the discredit of it being said that a draft of theirs had been dishonoured.

Acceptance and Payment for Honour. When acceptance is refused and a bill is protested for non-acceptance, or where a bill has been protested for better security and is not overdue, any person not being liable thereon may, with the consent of the holder, intervene and accept the bill *supra protest*, for the honour of any party thereto, or for the honour of the person for whose account the bill is drawn. If the acceptance does not state for whose honour it is made, it will be deemed to be for the honour of the drawer. An acceptor for honour is liable on the bill to the holder, and to all parties to the bill subsequent to the one for whose honour he has accepted. In the case of inland bills, it is only to the holder of a current bill dishonoured by non-acceptance, or accepted by a person who has since become insolvent, than an acceptance *supra protest* is of any use; and the noting and the protest are of no use except to give validity to such an acceptance. The acceptor *supra protest* must personally appear before a Notary Public, with witnesses, and declare that he accepts such protested bill in honour of the drawer or endorser as the case may be, and that he will satisfy the same at the appointed time, and then he must subscribe the bill with his own hand. Where two or more offer to pay *supra protest*, that one is to be preferred whose payment will discharge the most parties, that is, that person who proposes to pay for the honour of the earliest party to the bill. If the holder refuses to receive payment *supra protest* he loses his rights against all parties who would have been discharged by such payment. The simplest course for a person who wishes to protect the credit of a party to a bill is to pay the holder and take the bill. It is only if the holder refuses to transfer it that payment for honour need be resorted to.

Liability and Security. The acceptor of a bill is the person who is to be liable to the drawer, so long as it remains in the drawer's hands, and he (the acceptor) is *always* the person *primarily* liable to the holder; and when the drawer delivers the bill to the payee, or bearer, or by endorsement transfers the bill to another, the drawer in his turn becomes liable as well as the acceptor, to the holder of the bill, and so does every subsequent endorser, the security thus increasing with each endorsement.

Accommodation Bills (sometimes called "kites" or "windmills") are bills drawn, accepted, or endorsed, though no consideration or value has been given for them. Such bills are usually made by two or more persons with a view to their being discounted for the temporary convenience of and accommodating one or more of the parties concerned, each of them agreeing to provide the acceptor, at, or previous to its due date, with funds to meet the bill.

Protest of a Bill. A document containing a solemn declaration made by a Notary Public that he has presented a foreign bill of exchange, either for acceptance or payment, that the answer quoted is the one he received, and that he formally protests against non-compliance with the demand. This document is engrossed on paper, impressed with a shilling stamp, *after* a bill has been *noted*, and it is drawn up for the holder's protection, so that *recourse* may be had upon the drawers or endorsers residing abroad. *Noting* is really the preliminary step to *protest*; while *protesting* is practically *extending* a *protest*. Extension of protest is essential in the case of foreign bills, since a notarial protest is regarded by the laws of most foreign nations as the only legal evidence of dishonour, and therefore necessary to enforce the holder's rights abroad.

Usance. The customary period allowed between different countries for drawing bills of exchange. When bills are drawn between different countries there is a given period for which it is customary or *usual* for the bill to be drawn. This usual term is called *usance* of bills. The extent of usance is principally controlled by two considerations:—(**A**) The distance and facility of communication between the countries. (**B**) The quickness with which the goods can be sold. Double or treble usance is double or treble the usual time, and half usance is half that time. **At sight,** is a term sometimes used upon bills of exchange when they are payable on demand. Such bills do not need to be accepted. In book-keeping they are treated as cheques.

A **long bill** is one having a long term to run, as 6 or 9 months after date, or after sight; while a **short bill** is one payable on demand, at sight, or having less than 10 days to run; also those bills received by bankers for collection and which have nearly matured. **Short exchange** is the rate for cheques or drafts at sight, or payable within a day or two. There being no question of interest involved, the variations of the short exchanges above or

below the mint Par is the measure of the monetary balance of trade, including therein the movement of floating capital.

Sole or **sola** means only one bill as opposed to a "set"; **First** denotes the *first* of a set; a **Copy** is a facsimile or duplicate; and **Via** means any one of a "set of bills."

The **holder** is the person in actual or constructive possession of the bill, and entitled at law to recover its contents from the parties to it. If the holder takes a **composition** from the acceptor or maker, the other parties are discharged. Part payment, of course, has no such effect.

The chief **differences** between a **B/E.** and a **P/N.** are as follows:—(1) A bill has three original parties—drawer, drawee, and payee; a note only two—maker and payee. (2) The drawer of a bill is liable only in a secondary degree; the drawer or maker of a note is the principal debtor. (3) A bill is an *order*, a note, a *promise* to pay. (4) Notes do not require presentment for acceptance, nor can they be accepted for honour. (5) The acceptors of a bill can only be liable jointly; the makers of a note can be liable jointly and severally. (6) A bill may be accepted conditionally by the principal debtor, but a note cannot be made conditionally by the maker. (7) Notes are not made in sets, nor is a protest required in the case of a foreign note dishonoured here.

Arbitration of Exchange is where a merchant pays his debt in one foreign country by a B/E. upon another foreign country.

A **Documentary Bill** is a B/E. accompanied by various documents such as invoice, B/L., policy of insurance, and letters of hypothecation; these latter documents being available to satisfy the amount of the bill in the event of its not being duly honoured at maturity. A **clean** B/E. is one in which there is no reference to documents.

£500. *LONDON*, 22*nd July*, 1911.

Stamp Five Shillings.

NINETY DAYS after sight, pay this FIRST of Exchange (Second and Third unpaid) to our Order, the sum of Five Hundred Pounds Sterling, value received against OD

100/5, = 6 *bales of Worsteds, per S.S. "City of Athens." Shipping Documents attached to be surrendered on payment.*

CHAS. MEE & CO.

To Messrs. OWEN & DEW,
SYDNEY.

£145 10*s*. 4*d*. *LONDON, 22nd July*, 1911.

Stamp Two Shillings.

SIXTY DAYS after sight. pay this FIRST of Exchange (Second and Third unpaid) to our Order, the sum of One Hundred and Forty-five Pounds, Ten Shillings and Four Pence, Sterling, payable at the National Bank of India's drawing rate for demand drafts on London, with interest at (6) *per cent. per annum, added thereto, from date hereof, to approximate due date of arrival of the remittance in London, value received against*

B J S 1000/4=5 *bales of Grey Dhooties, per S.S. "Victoria."*

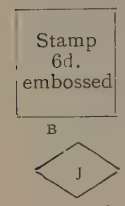
To Messrs. BRUCE & SYKES, CALCUTTA. *JONES & CO.*

Endorsement: —Pay the National Bank of India, Limited, or order
Jones & Co.

N.B. The above draft would be discounted by Jones & Co. with the bankers who acted as English Agents for the National Bank of India. Attached to the draft as securities for the amount advanced, would be the following documents, viz. :—Invoice, Bills of Lading, Policy of Insurance, and Letters of Hypothecation. Presuming that Bruce & Sykes paid the above draft on 20th October, and that it was calculated the remittance would reach London on 16th November, the number of days in respect of which interest would be payable would be 117, the amount being £2 16 -. The total amount payable in Indian currency by Bruce & Sykes, if the exchange were at 1/4, would amount to Rs. 2224 12a.

522. BILL OF LADING (B/L.) A memorandum given by the brokers or owners of a vessel acknowledging the receipt of goods and an agreement as to their delivery, freight, &c. A B/L. sets forth the ship's name, the skipper's name, the port of destination, the number and weight of goods shipped, their marks, the agreed conditions concerning freight and primage, and the name of the person to whom the goods are to be delivered. A B/L. is an instrument of possession, and, during the voyage, represents the goods shipped, just as a *warrant* represents the goods lodged in a dock warehouse. Any person in the lawful possession of a B/L. is therefore considered as the lawful owner of the goods for which it has been issued and invested, with all the rights and liabilities attaching to them under the document. Like a warrant or any other instrument of credit, a B/L. may be either deposited with a creditor as a security for money advanced, or transferred to a buyer by means of endorsement, and the property of the goods will be thereby

assigned either absolutely or by way of mortgage. A *Clean* B/L. is one in which there is no clause detrimental to the shippers. A B/L. must be *impressed* with a sixpenny stamp before execution.



Antwerp,
6 *B/s.*
numbered
1000 *to* 1005,
respectively.
Charges: —
£

Shipped in good order and well conditioned by Messrs. Jones & Co., in and upon the good Steam-Ship "*Victoria*," whereof *Captain John Dale* is Master for this present voyage, now lying at **GOOLE,** and bound for *Antwerp, six bales printed cottons,* being marked and numbered as in the margin, and are to be delivered in the like good order and condition at the aforesaid port of *Antwerp,* or so near thereto as she can safely get (the act of God, &c., excepted,) unto *Messrs. Bruce & Sykes* or to their assigns, they paying freight for the said Goods, *Two pounds, seven shillings, and eightpence,* with primage and average accustomed, and Charges as stipulated. In witness whereof the Master or Agent of the said ship has signed *three* Bills of Lading, of this Tenor and Date, one of which being accomplished the others to be void. Dated in **Goole,** *13th July, 1911.* Weight and contents unknown.

JOHN DALE.

523. BILL OF SALE (**B/S.**) A Document assigning personal property and generally given as security for a loan which must not be less than £30. It empowers the assignee to seize and dispose of the property assigned upon the non-fulfilment of certain conditions respecting the repayment of both principal and interest. Bills of Sale, which must be registered and stamped, are either **absolute** or **conditional.** An **absolute** Bill of Sale is a sale out and out, the property in the goods passing to the grantee, without the grantor retaining any right of redemption. A **conditional** Bill is a mortgage of personal chattels and its object is to secure the payment of money. In this case, although the property in the goods passes to the grantee on the execution of the deed, the grantor holds possession of the goods until default, and has a right to redeem them by payment of the money secured by the Bill. While the signatures to a conditional Bill may be attested by one or more credible witnesses, it is necessary that a *Solicitor* should attest the signature to an *absolute* Bill.

524. BOARD OF TRADE. A department of H.M. Government for the superintendence of all matters relating to the mercantile marine trade and navigation. The "Board of Trade Returns," published monthly, supply information as to the imports and exports.

525. BOND. A bond is a document under seal by which a person binds himself to pay a sum of money at a given time, or under special conditions The person giving the bond is called the *obligor*, and he to whom it is given the *obligee*. Bonds are often given

by Governments and Corporations as securities for loans. According to their character they are named respectively. Bonds to Bearer; Currency Bonds; Exchequer Bonds; Gold or Sterling Bonds; Lottery Bonds; Registered Bonds; Lloyds Bonds.

526. **BONDED GOODS.** Merchandise liable to duty, deposited in Government or Bonded Warehouses (known in France as Entrepôts) until the duty upon them is paid. While the duty remains unpaid the goods are said to be "In Bond," a bond having been signed on behalf of the owners, that the duty will be paid when the goods are removed for consumption.

527. **BONUS.** An extra dividend occasionally paid to shareholders in public companies when extraordinary profits are realised. Also a periodical addition made to Life Assurance Policies out of the ordinary profits of the business.

528. **BOOK DEBTS** are the unpaid a/cs. or debts receivable standing in a merchant's books; that is, the amounts owing to you by your customers or debtors; the Dr. Balances of personal a/cs.

529. A **BOOM** is an upward rush of prices produced by active speculation. This word is usually employed by financial writers to signify a manufactured or manipulated advance, intended to attract the public to buy when prices are near the top. A Boom is often followed by a **Slump,** which is a sudden depreciation in securities, frequently resulting in a crisis, and eventually in a panic.

530. **BOTTOMRY.** A contract by which the owner or captain of a vessel borrows money on the security of the bottom or keel, by which, a part being put for the whole, is meant the ship itself. If the ship be lost, the lender loses all his money. If on the contrary it returns in safety, he receives back the principal, with interest at any rate which may be agreed upon between the parties.

The necessity for bottomry generally arises when the captain of a vessel is forced, perhaps by his ship springing a leak, to put into a strange port, where he must raise money to pay the cost of repairs and other charges. Should a captain, after granting a Bottomry Bond, meet with further disaster, and have to raise more money by bottomry before the completion of his voyage, the last bond must be paid first, the holder of the first bond having to be content with the settlement of his claim last. **Respondentia** is a contract by which the owner or captain of a vessel borrows money on the security of the cargo, in which case the borrower is personally responsible and is bound to answer the contract. The chief difference between a Bottomry and a Respondentia bond is that the principal and interest secured by the latter document must be repaid, as the borrower is personally liable.

531. **BOUNTY.** A bonus or premium paid by certain Governments to manufacturers or merchants, by which the latter are enabled to export certain goods at a cheaper rate, and so undersell other countries.

532. A **CASH CREDIT** is an undertaking on the part of a bank permitting a customer to overdraw his current account up to a specified limit, usually ranging from £100 to £1000. It is usual for the customer either (1) to deposit securities to partially or fully cover the overdraft, or (2) to enter into a Bond, with two or more sureties, the latter guaranteeing to satisfy the claims of the bank in the event of the insolvency of the customer. The sureties should keep a watchful eye on the state of the accounts, and if they find that the customer is not conducting his business properly, they can authorise the bank to call in the loan and can give notice to withdraw their guarantee. A **Commercial Credit** is an undertaking whereby a bank engages to accept on behalf of an importer of goods documentary bills drawn upon it by the relative exporter for the cost of the shipment. The bank holds the documents of title to the goods as security, as against the importer, upon whose behalf it has accepted the bills.

533. **CERTIFICATE.** The paper which testifies to the ownership of stock or shares in a joint stock company. It is issued under the common seal of the company, and is usually signed by one or more of the directors and the secretary. Except as a ready means of proving that the individual named in the paper is the owner of so many shares in this or that limited company, numbered, say, from 1000 to 1100, on which so much has been paid up (or fully paid), or holds stock to the value of so much, the certificate has no value. Possession of it does not entitle the holder to claim the shares or stock standing in the name upon it. That can only be done in the event of the holder signing a *transfer* upon which the name of the transferee is to be found. Therefore the mere loss of a certificate of ownership does not entail loss of the property held. The proof being given to the company that the loss has taken place, the owner can usually get a new certificate on signing a *Letter of Indemnity*.

534. **CERTIFICATE** of **PAST PROFITS.** A paper signed by professional accountants, generally embodied in the prospectuses of companies formed to buy businesses already in existence, in which is set forth the net earnings of the concern to be taken over. Sometimes these certificates are reliable, oftener they are misleading; but the deception is not necessarily the work of the accountant. Important facts about the business may have been concealed from him: it may be entering on a period of low profits or decay, or it may have been worked for the few years back, over which the accountant has been permitted to look, with a view to its transformation and sale. Complete reliance, therefore, is never to be placed on these certificates.

535. **CIRCULAR NOTES,** which are convenient in travelling, are obtained from a banker on payment. They are addressed by the issuing banker to his correspondents at a distance requesting them to pay a sum named to the person named, whose signature is to be found in a separate *letter of indication*. The circular notes are already filled up with their amounts and signed by the issuing banker. All that the person named has to do is to present the

letter of indication, his signature on which proves his identity, and endorse the notes with a like signature. If a thief steals the notes without the letter of indication, they are of no use to him. If he steals the letter as well and forges a signature resembling that contained therein, the correspondent who cashes the note cannot recover the amount from the issuing banker, and, if the banker pays, he cannot take credit for the payment as against the person whose name is forged. The person in whose favour the notes are drawn is not obliged to use them, and is entitled to have the money for the unused notes refunded.

536. CHARTER PARTY (C/P.) A contract by which an entire ship, or some principal part thereof, is chartered or let to a merchant (*the charterer*) for the conveyance of goods for a defined period of time or on some determined voyage to one or more places. This contract can be made by the owner or his agent, or by the captain on behalf of the owner. This document must state the voyage to be performed and the terms on which the goods are to be carried. It must specify the ship's tonnage, the number of days to be consumed in loading and unloading (known as lay days), the demurrage to be charged for the ship's detention beyond that time, the course she is to pursue, and all particulars necessary to bind the parties to the terms agreed upon between them. A certified copy of the original C/P. is made for the charterer. A **time charter** is one where the vessel is hired for a specified length of time; while a **voyage charter** is one where a vessel is chartered for a certain determined voyage or voyages irrespective of time. The stamp duty on the original is sixpence, which may be denoted either by an adhesive or embossed stamp.

537. CLEARING. A system adopted by **banks** for exchanging among themselves, such bills, drafts, and cheques, due by any one of them, which are in the possession of another instead of attending separately at the banks upon which they are drawn. The London Bankers Clearing House is the medium through which bankers obtain the amount of cheques and bills in their hands for collection among other bankers. Clearing bankers settle the whole amount delivered during the day at this establishment by receiving or paying the difference in their amount by a single cheque on the Bank of England. Below are the official returns for five months:—

1910. Weeks ending.	Town Clearing.	Country Clearing.	Total.
January 1 to April 6	£3,639,096,000	£308,777,000	£3,947,873,000
,, 13	240,034,000	23,149,000	263,183,000
,, 20	310,592,000	26,035,000	336,627,000
,, 27	223,561,000	21,691,000	245,252,000
May 4	316,522,000	23,573,000	340,095 000
,, 11	242,040,000	26,738,000	268,778,000
,, 18	266,845,000	22,137,000	288,982,000
,, 25	216,717,000	21,073,000	237,790,000
June 1	307,771,000	22,612,000	330.388,000
Total ...	£5,763,178,000	£495,785,000	£6,258,963.000

538. **CLEARING A VESSEL** is the obtaining of the license of the Custom House Officer before a ship is allowed either to depart on her voyage or to clear herself after her voyage is completed. This license is known as clearance; which may be outward or inward.

539. **COMMENCING BUSINESS.** A Joint Stock Company is prohibited from commencing any business or exercising any borrowing powers unless—(*a*) shares held subject to the payment of the whole amount thereof in cash have been allotted to an amount not less in the whole than the Minimum Subscription; (*b*) every Director of the Company has paid to the Company on each of the shares taken or contracted to be taken by him, and for which he is liable to pay in cash, a proportion equal to the proportion payable on application and allotment on the shares offered for public subscription, or, in the case of a Company which does not issue a Prospectus inviting the public to subscribe for its shares, on the shares payable in cash; (*c*) there has been filed with the Registrar a Statutory Declaration by the Secretary or one of the Directors, that the aforesaid conditions have been complied with; (*d*) in the case of a company which does not issue a Prospectus inviting the public to subscribe for its shares, there has been filed with the Registrar a Statement in Lieu of Prospectus. On the Statutory Declaration being filed the Registrar issues his Certificate that the Company is entitled to commence business, and such Certificate, usually described as the **Trading Certificate,** is conclusive evidence that the Company is so entitled.

540. **COMMERCE.** The intercourse of nations in each others produce and manufactures, in which the superfluities of one are given for those of another, and then re-exchanged with other nations for mutual wants. There is a distinction between commerce and **trade;** the former relates to our dealings with foreign nations, colonies, &c., the latter to mutual dealings at home.

541. **CONSIDERATION.** The price, motive, or matter of inducement of a contract, which must be lawful in itself. The consideration is the very life of a simple contract or parol agreement; while a speciality, or contract under seal, does not require a consideration to make it obligatory at law, the law always presuming a sufficient consideration, which the parties, except in special cases, are estopped from denying. The law, then, not only requires a consideration in the case of a simple contract, but that it should be valuable—*i.e.*, a legal consideration emanating from some injury or inconvenience to the one party, or from some benefit to the other party. A good consideration, *i.e.*, an equitable consideration founded upon mere love, affection, or gratitude, will not support a contract.

542. **CONSOLS** is an abbreviation of **Consolidated** which is a term used in reference to sundry funds or annuities bearing the same or different rates of interest, which have been severally merged or consolidated into one common capital. Hence 3% Consols, &c.

543. CONSUL. A Government official appointed to reside in some foreign country, to take charge of, facilitate, and extend the commercial affairs of his nation, and generally guard the interests of its subjects residing there. A consul is privileged to charge certain fees for sealing and signing passports, invoices, and other documents which he attests. A **consular invoice** is one which has been visèed (sighted and signed) by the Consul of the country to which goods are being sent. Some foreign Governments demand that invoices of all goods imported there shall be duly attested by their Consul who resides in the district or country from which the goods are exported, the Consul being entitled to make a charge for each document visèed by him.

544. CONTRACT. An agreement between competent persons upon a legal consideration, to do or abstain from doing some act ; or more shortly an agreement enforceable at law. The agreement may be by *parol*, *i.e.*, by word of mouth, or in writing *not* under seal ; or, it may be by specialty (*i.e.*, by writing under seal), in which case it is more properly termed a *covenant*. And where a contract is not by specialty, it is called a *parol* or *simple contract*, to distinguish it from a contract by specialty. A simple contract may be either *written* or *verbal*, and must be made upon a *consideration*, in order that an action may be founded upon it. In certain cases, defined by the Statute of Frauds and the Sale of Goods Act, 1893, the contract, or some note or memorandum thereof, must be made in writing and signed by the party to be charged therewith. A debt arising under a contract made by deed under seal is called a *specialty debt*. Whilst an ordinary or simple contract debt is *barred* after the lapse of *six years*, a specialty debt becomes barred after *twenty years* only.

545. CONTRACT NOTE. A short statement of the effect of a contract. In and for the purposes of the Stamp Act, 1891, this term means that act 'the note sent by a broker or agent to his principal (except where such principal is acting as a broker or agent for a principal) advising him of the sale or purchase of any stock or marketable security.'

546. A **CONTRIBUTORY** is a person liable to contribute to the assets of a Company in the event of its being wound up. In all proceedings for determining and in all proceedings prior to the final determination of the persons who are contributories, the term includes any person alleged to be a contributory. So far as a Company limited by shares is concerned, no contribution may be required from any member exceeding the amount, if any, unpaid on the shares in respect of which he is liable as a present or past member.

547. COPYRIGHT is the sole legal right to print or publish anything which belongs to the author or his assigns. Copyright commences from the date of first publication, but an action for infringement cannot be enforced until after registration (fee 5/-) at

Stationers' Hall ; an additional fee of 5/- being charged if a "Certificate of Registration" is required. No book is registered until a perfect copy is produced. The minimum duration of copyright is forty-two years ; the maximum is the author's lifetime, plus seven years. A copy of every book should be sent to the British Museum immediately on publication. The only safe way to regard money expended upon the purchase of a copyright is to treat it as the purchase-money of a terminal annuity of very short duration.

548. **COST BOOK SYSTEM.** The Stannary Laws were passed in 1869 and 1887, for the regulation and management of **mining companies** within the Stannaries (*i.e.*, **Cornwall** and **Devon**). Such companies are frequently formed in accordance with a somewhat curious local custom, on what is known as the Cost Book System. This is a customary form of partnership for working mines in Cornwall and Devon, according to which each partner is at liberty to transfer his shares without the consent of his co-partners. Any partner is at liberty to determine his liability at any time by relinquishing his shares. No fixed capital is necessary, money being called up as it is wanted. The affairs of the partnership are managed by an agent called *the purser*, subject to the control of the partners in their periodical meetings. The purser and any one of the partners are agents for and can bind the whole body in respect of any contract relating to the carrying on of the mine, other than transactions in the way of borrowing money. The accounts are open to the inspection of the partners at the meetings, and the agreement into which the partners have entered, the receipts and expenditure of the mine, the names of the shareholders, their respective accounts with the mine, and the transfers of their shares, are entered in a book or books called the *Cost Book*.

549. **COUNCIL BILLS** are Bills of Exchange on demand, drawn by the India Council in London (that is the Secretary of State for India) on the Government Treasuries of Calcutta, Madras and Bombay. The Government of India has to pay to the British Government each year, some £18000000 for interest on loans and for the maintenance of the military and civil forces in India. Although the revenues of India are collected at three treasuries in silver, the amount due to us must be paid in gold. The readiest way to convert the silver into gold is by selling drafts for an equivalent amount of rupees payable in India. The Secretary of State for India is advised from Calcutta, Madras and Bombay, that there is a certain amount available for remittance, and thereupon he advertises that he is prepared to receive tenders for so many lacs of remittances or rupees on India. On Wednesday, in each week, the tenders are opened, and, if at the proper rate, accepted. The purchasers of these drafts are generally the Indian Banks, who have remittances to make to their creditors in India. Therefore an India Council draft is equivalent to so much silver deposited in India. The purchaser of the draft pays gold to the British Government, while the India Treasury on presentment of the draft, pays silver to the

holder, who is the creditor of the purchaser. Money may also be transferred by means of **Telegraphic Transfers (T/t's)** which enable a person in London to pay rupees to a house in Calcutta, on any *particular date*, on his paying an equivalent amount in gold to the Bank, calculated at the transfer rate of the day, when the Bank would cable to their Calcutta branch to pay the nominee the sum required. The following is the weekly report from a financial paper.

BILLS

Rate. s. d.	Tendered. R's.	Accepted. R's.	%
1 $3\frac{31}{32}$	20,000	20,000	100
1 $3\frac{15}{16}$	57,00,000	18,10,000	31
1 $3\frac{29}{32}$	4,00,000	—	
1 $3\frac{27}{32}$	20,000	—	
Total	61,40,000	18,30,000	

TELEGRAPHIC TRANSFERS.

Rate. s. d.	Tendered. R's.	Accepted. R's.	%
1 $4\frac{1}{16}$	2,00,000	2,00,000	100
1 $4\frac{1}{32}$	1,33,00,000	39,70,000	31
1 4	13,00,000	—	
Total	1,48,00,000	41,70,000	
Grand Total	Tendered. R's. 2,09,40,000	Accepted. R's. 60,00,000	

The amounts disposed of and rates obtained were as follows :—

	Council Bills R's.	Average.	Minimum.	
Calcutta.....	6,67,000	1/3·937*d*.	$1/3\frac{15}{16}$	31%
Bombay.....	6,14,000	1/3·937*d*.	$1/3\frac{15}{16}$	31%
Madras	5,49,800	1/3·937*d*.	$1/3\frac{15}{16}$	31%
	Telegraphic Transfer R's.	Average.	Minimum.	
Calcutta.....	28,36,000	1/4·033*d*.	$1/4\frac{1}{32}$	31%
Bombay.....	10,16,000	1/4·033*d*.	$1/4\frac{1}{32}$	31%
Madras	3,18,000	1/4 031*d*.	$1/4\frac{1}{32}$	31%

From April 1st to May 10th, inclusive the Council had granted remittances for R's. 3,86,90,125, realising £2,568,799. To the corresponding date of last year R's. 1,25,34,338, realising £783,622 had been disposed of. The amount offered next week will be 60 lacs.

550. COUNTER-SIGN. The signature of a secretary, manager, or other subordinate officer to any writing signed by the principal or superior to vouch for the authenticity of it ; *e.g.*, the order of a Town Council for payment of money out of a 'borough fund' must be signed by three members of the Town Council, and countersigned by the Town Clerk,

551. **A CREDIT NOTE** (**C/N.**) which is a statement (in red ink), sent to a person showing the particulars of an amount in respect of which you are crediting him, is generally used when goods are returned, an abatement is being made, or an overcharge rectified.

CREDIT NOTE. 625 Cheapside,
LONDON, 22nd June, 1911.

Messrs. Owen & Dew, Leeds.

Cr. in A/c. with **Charles Mee & Co., Ltd.**

By Return of Goods invoiced 19th June.....£		9	10

552. **DEBENTURE.** A certificate given by the Custom House to the exporter of goods entitling the merchant to receive payment for the **drawback** (excise duties returnable by the authorities on exportation of excisable goods) allowed on the goods being exported.

553. A **DEBIT NOTE** (**D/N.**), which is a statement, in the form of an invoice, sent to a debtor showing the particulars of an amount in respect of which you are debiting him, is used when you discover that he has been undercharged for certain goods, or in the event of an invoice being undercast.

625 Cheapside,
DEBIT NOTE. LONDON, 30th June, 1911.

Messrs. Owen & Dew, Leeds.

Dr. to **Charles Mee & Co., Ltd.**

To Undercasting of Invoice dated 26th June .....£	1	-	-

554. **DEBTOR & CREDITOR.** A **Debt** is that which is due from one person to another, whether money, goods, or services and whether payable at present or at a future time; that which one person is bound to pay or perform for another. When a debt becomes due, it is the duty of the debtor to pay it without waiting for any demand. It is in general the duty of the debtor to seek out his creditor for the purpose of paying him. A creditor is not bound to give change to his debtor, whose duty it is to tender the exact amount of his debt in legal currency (see Legal Tender). The ordinary mode of enforcing a debt, not exceeding £50, is by commencing an action in the County Court; for a larger sum proceedings must be commenced in the High Court, but either party may have the action remitted to the County Court if the amount does

not exceed £100. **Crown Debts** are those due to the Government or Crown in respect of Taxes, &c. The Crown claims priority for its debts over all other creditors, and to recover them by summary process. A **Judgment Debtor** is one to whom directions have been given by a Judgment of the Court to pay a sum of money to another person, known as the *Judgment Creditor*. The **Debtors' Act, 1869,** abolishes imprisonment for debt except in case of default of payment of penalties, default by trustees or solicitors, and certain other cases; and provides for committal of debtors in default of payment of judgment debts which the debtor *can but will not pay*, and in certain other cases. It also provides for the punishment of fraudulent debtors.

555. **DEATH DUTIES** are taxes payable to the Government on the passing of property by the death of a person to his successors. They are of four kinds:—(1) Estate Duty; (2) Settlement Estate Duty; (3) Legacy Duty; (4) Succession Duty.

(1) **Estate Duty** is levied upon the principal value of all property, real or personal, settled or not settled, which passes on the death of a person, the rate of duty being graduated according to the total value of the estate, as shown below. When the gross value of an estate does not exceed £100 no Duty is payable. When an estate exceeds £100, but does not exceed £300, a fixed Duty of 30/- may be paid, and where it exceeds £300, and not £500, a fixed Duty of 50/- may be paid.

When the net value of the estate does not exceed £1000, Estate Duty *only* is payable, none of the other three Duties being chargeable.

Scale of Rates of Estate Duty.

Where the principal value of the Estate				Rate per cent.
	does not exceed		£100	0
Exceeds	£100 and does not exceed		500	1
,,	500	,, ,,	1000	2
,,	1000	,, ,,	5000	3
,,	5000	,, ,,	10000	4
,,	10000	,, ,,	20000	5
,,	20000	,, ,,	40000	6
,,	40000	,, ,,	70000	7
,,	70000	,, ,,	100000	8
,,	100000	,, ,,	150000	9
,,	150000	,, ,,	200000	10
,,	200000	,, ,,	400000	11
,,	400000	,, ,,	600000	12
,,	600000	,, ,,	800000	13
,,	800000	,, ,,	1000000	14
,,	1000000			15

(2) **Settlement Estate Duty** is an extra tax of 2% imposed by the Government on settled property passing on the death of one person to another not competent to dispose of it. It is only payable once during the settlement, and is not payable at all when the net value of the estate, in respect of which estate duty is leviable, does not exceed £1000. This extra duty is not payable at all in cases where the only life interest in the property after the death of the deceased is that of a wife or husband of the deceased.

(3) **Legacy Duty** is a graduated tax paid to Government on legacies, in proportion to the distance of relationship between the testator and legatee. But the 1% duty on a legacy of a lineal descendant or ancestor is not payable where estate duty is paid. Neither is Legacy Duty payable where the net unsettled estate does not exceed £1000 in value, upon which estate duty has been paid.

(4) **Succession Duty** is a graduated tax paid to Government on the succession of a beneficiary of real and leasehold estates, varying according to the relationship which the successor bears to the testator. This duty is not payable when the net estate does not exceed £1000, upon which estate duty has been paid.

Subject to certain exemptions the following are the rates now payable in respect of Legacy and Succession Duties :—

Husband or wife of the deceased. Lineal ancestors and descendants, or their husbands or wives, where the principal value of the estate *exceeds* £15000, except upon legacies not exceeding £1000, or in the case of widow and children under 21 years of age, £2000.	1%.
Brothers and sisters, or their descendants, or the husbands or wives of any such.	5%.
Brothers and sisters of the father or mother of the deceased, or their decendants, or the husbands or wives of any such.	10%.
Brothers and sisters of the grandfather or grandmother of the deceased, or their descendants, or the husbands or wives of any such.	
Persons in any other degree of collateral consanguinity to the deceased or strangers in blood.	

556. **DEFAULT SUMMONS.** A procedure in the County Courts for the summary recovery of a debt or liquidated demand. This summons, which the plaintiff may upon filing an affidavit of the debt, cause to be issued instead of the summons in the ordinary form, is personally served on the defendant and if he did not, within 8 days after service, give notice in writing by post or otherwise to the registrar of the court from which the summons issued, of his intention to defend, the plaintiff may, after 8 days and within 2 months, upon proof of service or of an order for leave to proceed as if personal service had been effected, have judgment entered up for the amount of his claim and costs.

557. DEMURRAGE. A charge of so much per day made by the owners of vessels for their detention beyond a specified time. Legal holidays and Sundays are not charged for. The term is also used for a charge made by railway companies for detaining their horse boxes, wagons, trucks, &c., beyond a given time. **Keelage** refers to the dues or fees paid by a vessel on her entering and resting in certain ports and harbours in the Kingdom.

558. DISTRESS is the legal remedy which consists in the taking of a chattel of the wrong doer by the injured party as a means either of compelling him to give redress or of obtaining satisfaction out of the thing seized. This remedy is principally available (*a*) where a tenant has made default in paying his rent (*b*) where a person liable to pay certain rates and taxes had made default in paying. Also where cattle stray and do damage they may be distrained upon. **Replevin** refers to a personal action to recover possession of goods unlawfully taken (generally applied to the taking of goods distrained for rent), the validity of which taking it is the mode of contesting if the party from whom the goods were taken wishes to have them back, whereas, if he prefer to have damages instead the validity may be contested by action of trespass or unlawful distress.

559. DIVIDEND (Div.) (**1**) The share paid to the creditors out of the funds realised from the sale of an insolvent's estate. These dividends are sometimes paid by instalments. For instance, suppose that the whole of the assets of an insolvent cannot be immediately realised, the Trustee or Official Receiver would probably declare a "first dividend of 5/- in the £," and subsequently declare a "second and final dividend of 5/- in the £."

(**2**) A share of the profits of a Public Company; the interest payable on any portion of the national debt or other stock. "*Ex. Dividend*" is a stock exchange phrase to signify that the price at which a given security is quoted is *exclusive* of dividend. Unless so specified the security in question is "*cum-dividend*," meaning that the interest accrued since the previous distribution is covered by the purchase money. A **dividend warrant** is an order for payment, in the form of a cheque payable on demand, and therefore transferable by endorsement. An **interest warrant** is an order for the payment of a periodical dividend, and is generally sent by post to the holders of registered and other public stocks, as the interest becomes due. **Coupons** are certificates of interest or dividends bearing different dates attached to the foot of transferable bonds and debentures. The word "coupon" means a cutting, and as the dividends fall due the certificates are cut off and paid into the bank for collection just like a cheque. **Unclaimed dividends** on stocks and shares are those not claimed by their owners, and the total amount in respect thereof should appear among the Liabilities in the Balance Sheet. Those on British Government Securities are paid over to the National Debt Commissioners at the end of ten years, but the liability remains.

Corporations and Companies when **remitting dividends** to stock or shareholders generally do so by means of a combined **Circular** or **Notice** and **Warrant,** perforated across the middle, so that the Warrant may be detached for cashing. The following is a **specimen** of the combined documents :—

The Castner-Kellner Alkali Company, Limited.

INTERIM DIVIDEND NOTICE AND WARRANT. (22)

18, Abchurch Lane, London, E.C.,
28th *May*, 1910.

Herewith I beg to hand you a Warrant on the Bankers of the Company for Dividend at the rate of £12½ per cent. per annum for the six months ending 31st March, 1910.

On 200 Shares of £1 each .... £ 12 : 10 : -
Less Income Tax at 1/2 in the £ .... - : 14 : 7
£ 11 : 15 : 5

I hereby certify that the Income Tax deducted will be duly paid to the proper official for the receipt of Taxes.

To A. Fieldhouse Esq

By Order,
PERCY S. COURT,
Secretary.

The Castner-Kellner Alkali Company, Limited.

INTERIM DIVIDEND WARRANT FOR THE SIX MONTHS ENDING 31st MARCH, 1910. (22)

No 357

London, 28th *May*, 1910.

To Messrs. ROBARTS, LUBBOCK & Co., 15, Lombard Street, London.

Pay A. Fieldhouse Esq or Bearer,

the sum of Eleven Pounds 15/5

ONE PENNY

For and on behalf of The Castner-Kellner Alkali Company, Limited,

Director.

£ 11 : 15 : 5

Secretary.

Signature of Payee Arthur Fieldhouse

560. DOCK WARRANT. (D/W.) A receipt for goods lodged in public warehouses, showing date of entry, to whom the goods belong, the date rent commences, and such other particulars as are necessary to identify the goods. It requires a 3d. stamp. A **Delivery**

Order (**D/O.**) is an unstamped order from the owner of goods lodged at a warehouse, dock, or wharf, instructing the inspector to deliver the goods to the bearer of the order, or the party named thereon by endorsement. Both a D/W. and a D/O. are negotiable instruments; that is, they are documents which by passing from hand to hand, transfer the right to the property referred to therein, and of which they are the title deed.

561. **EMBEZZLEMENT** is the conversion by a *clerk* or *servant* of any chattel, money, or valuable security delivered to or received, or taken into possession by him for or in the name or on a/c. of his master or employer. **Larceny** is the unlawful taking and carrying away of things personal, with intent to deprive the rightful owner of the same. Embezzlement differs from Larceny in this, that in the former the property misappropriated is not at the time in the actual or legal possession of the owner, whilst in the latter it is.

562. **ENDORSEE.** The person who acquires the right conveyed by any negotiable instrument, B/E, B/L, D/W, D/O, in consequence of its being made over to him by *endorsement*. An **endorser** is one who endorses a bill or other negotiable instrument, and thereby transfers his interest or claim therein, by writing his name at the back of such instrument.

563. **ERRORS EXCEPTED,** or Errors and Omissions Excepted, (**E.E.** and **E.** and **O.E.**) generally written at the foot of invoices, statements, and a/cs., in order to reserve the right of making rectifications at any future date.

564. **EXECUTION.** (1) The putting in force the sentence of the Law in a judicial proceeding, such as the seizure of goods owned by a person against whom a judgment has been given in a Civil Court, for the purpose of satisfying the amount of the judgment by the proceeds of their sale. (2) The signing of a deed or will, or other written instrument, in such a manner as to make it legally valid.

565. The **FINDER OF GOODS** acquires a special property in them, available against all the world, except the true owner: he is bound, however, before appropriating them to his own use, to take all the means in his power to discover the owner. If the property had not been designedly abandoned, and the finder knew who the owner was, or with due exertion could have discovered him, he is held guilty of larceny if he keep and appropriate the articles.

566. A **FIRM OFFER** or **REFUSAL** is one where goods are offered to a merchant at a certain price within a given period, and until he has either refused them or the period has expired, they are not offered to anyone else.

567. **A FOLIO** (**Fol**) is an opening in a book, or two pages facing each other, both pages having the same number. This word, however, is often employed when speaking of a separate page, particularly when containing a debit and a credit side.

568. **FORGERY** is the fraudulent making or alteration of a writing or seal to the prejudice of another man's right, or of a stamp to the prejudice of the revenue.

569. **FRAUDULENT PREFERENCES.** Every conveyance or transfer of property or charge thereon made, every payment made, every obligation incurred, and every judicial proceeding taken or suffered by any person unable to pay his debts as they become due from his own moneys, in favour of any creditor, with a view of giving such creditor a preference over other creditors, is fraudulent and void against the trustee in Bankruptcy if the debtor becomes bankrupt within three months.

570. **FREIGHT.** The amount paid for the hire of a ship, or a charge for carrying or transporting goods or cattle by water. The cargo of a ship. *Dead Freight* is the compensation paid by the freighter of a whole ship for space remaining unoccupied when the cargo is not a full one.

571. **GARNISHEE.** A debtor who has received notice *not* to pay money which he owes to a third party, who is indebted to the party giving the notice. A Garnishee Order may be obtained by a judgment creditor against a *garnishee*, attaching any debts due to a judgment debtor. **Attachment** is the seizure of a debtor's property.

572. **GAZETTE.** The official newspaper of the Government, said to have been first published at Oxford in 1665; on the removal of the Court to London the title was changed to the *London Gazette*. It is published on Tuesdays and Fridays, and contains all the acts of state, proclamations, and appointments to offices under the Crown; also all orders in Council; and such other Orders, Rules, and Regulations as are directed by Act of Parliament to be published therein; also dissolutions of partnership, notices of proceedings in Bankruptcy, Bills of Sale, Deeds of Assignment. The **Mercantile Agencies** of Kemps, Perry's and Stubbs, all of which give confidential advice and collect debts, also issue to their subscribers, weekly or bi-weekly, a *Gazette*, giving lists and details of Bankruptcy Proceedings, Administration Orders, Bills of Sale, Satisfactions, County Court Judgments, Deeds of Arrangement and Assignments, Dissolutions of Partnerships, Distribution of Assets, Chancery Notices, Warrants of Attorney, Winding-up-Notices, &c.

573. **GILT-EDGED SECURITIES.** A familiar term used to describe stocks on which the interest is as absolutely safe as it is humanly possible for any income-producing investment to be, such as Consols, home municipal corporation stocks, the leading British railway debenture guaranteed and preference stocks, &c.

574. **GOODWILL.** The value of a business bought as a going concern, over and above the cash price of its marketable assets, such as houses, lands, leases, plant, tools, and stock-in-trade. In a general way, *goodwill* should represent so many years' purchase of the profits of a business—the fewer years the better. Three years

is a good general average; so that the *goodwill* of a business returning £10000 per annum net, would be about £30000. Whatever price is paid when a limited company takes over a private business, it is always included among the company's assets, sometimes as a separate item, oftenest merely in one sum with the rest of the money paid for what may be described as the tangible assets. The study of all companies ought to be to write this item off out of income as quickly as possible, because it is a burden upon the revenue, and a source of weakness. If anything goes wrong with the company, so that its revenue declines, or if the company fails and has to be wound up, the money paid for *goodwill* is lost.

575. **HOLDING OUT.** A legal expression indicating the representation by a person that he is a partner in a particular firm. A person who *holds himself out* as being a partner in a specified firm is liable as if he were a partner to any person giving credit to the firm in question upon the strength of such representation.

576. **HYPOTHECATION** is the giving over of a thing by way of pledge or mortgage; as the giving of documents which convey a right to property—B/E., B/L., B/S., D/W., &c. When property of any kind is hypothecated as a security for a debt, the property remains in the hands of the debtor or borrower, and is thus distinguished from a **pawn,** where the property is given into the hands of the creditor or lender. **A Letter of Hypothecation (L/H.),** which is prepared in triplicate, like a B/L., gives to the holder of the B/E. a *lien* upon the goods against which the bill is drawn.

577. **INCORPORATION.** The formation of a legal or political body, with the quality of perpetual existence and succession, except so far as limited by the act of incorporation.

578. An **INDENT** was formerly a foreign order written on a form torn in a zigzag *indented* line from a counterfoil, so as to afford the means of detecting forgery or fraud; but this term now means any order received from a foreign correspondent.

579. **INHABITED HOUSE DUTY** is a permanent tax levied by the Government upon the annual value of inhabited houses and places of business, if also used as habitations, except by the necessary caretaker. It is collected by the Income Tax authorities from the tenant, and is *not* deductable from the rent. The scale of duty is as follows:—

Description of Property:—	Shops, Inns, Farm Houses, Registered Lodging Houses, &c.			Private Houses.		
Annual Value:—	Not exceeding £40	£41 to £60	Exceeding £60	Not exceeding £40	£41 to £60	Exceeding £60
Rate of Duty.....	2d.	4d.	6d.	3d.	6d.	9d.

580. INLAND REVENUE. That portion (by far the largest) of the public revenue which is derived from the taxation of home commodities, and duties on property and income, houses, stamps, probates, legacies, &c., as distinguished from the portion derived by customs duties from imported commodities, such as foreign wine and spirits, tea, &c. **Contraband** is the term used to denote articles in which trade is carried on contrary to the provisions of (*a*) international law and comity (*b*) the revenue laws of a nation. A **Tariff** is a list or table of customs duties imposed upon specified classes of merchandise either on their importation or exportation.

581. I.O.U. a written acknowledgment of a debt, so called because it commences with those letters, which custom has substituted for the words: "I owe you" because they have the same sound. It ordinarily runs thus:

To Mr. Henry Lender, I.O.U. Five Pounds.
John Borrower, 1st Jan., 1912.

If in the above form, it requires no stamp, being neither receipt, agreement, nor promissory note. If it contains a promise to pay the money it must be stamped as a promissory note, or as an agreement, if the subject of which is of the value of £5. It is evidence of an *account stated* (see par. 503) with the creditor, if named; if he is not named, it is primâ facie evidence of an account stated with the person producing it. It is not negotiable.

582. INSOLVENT denotes the state of being unable to satisfy the whole of your creditors in full. Inability to pay twenty shillings in the £. **Solvent** means the opposite. A **Composition** is a payment of so much in the £ by an insolvent debtor in settlement of his debts, in lieu of the whole amount owing.

583. An **INSTRUMENT** is a writing containing some agreement, as a deed, contract, or order, &c.; so called because it serves to *instruct* one in regard to what has been agreed upon.

584. An **INVOICE** (**Inv.**) is a statement setting forth full particulars as to the quantity, quality, and price of goods sold or consigned to a purchaser or factor; the contents and marks of each parcel, and the charges (if any) upon them. Whether you purchase or sell goods, it is customary and advantageous for an invoice to pass between the parties, simultaneously with the transmission of the goods. The advantages of an invoice are that on arrival of goods you can compare them with the particulars contained in the invoice; and should any discrepancy be discovered it can be speedily rectified by communicating the facts to the seller of the goods. A **Pro Forma** invoice is an imaginary one made out *for form's sake*, in order to ascertain what the charges are likely to be; and also for the use of the Customs authorities when goods are being consigned to some place abroad. Some merchants, when receiving orders to buy certain goods somewhat outside their general line of business, ask for a *pro forma invoice* of the items they are about to purchase,

in order to ascertain the current market price of the goods, the manner and cost of packing, the discount, terms of payment, and the approximate cost the order would amount to.

Telegrams: "*Cloth, Huddersfield.*"
Telephone No. 160.

907 New Street,
Huddersfield,
28th November, 1911.

Thomas Sykes, Esq., Park Lane, Leeds,

Bought of SILVERWOOD & Co.,
Woollen and Worsted Manufacturers.

Terms: *One clear month's credit. Dis.* 2½%.

Stock No.	Yards.			£	s.	d.
2834	51 as 50	Black Serge .....@	1/11	4	15	10
2936	44 ,, 43	,, Vicuna	2/2	4	13	2
3004	46 ,, 45	Blue Beaver.....	2/6	5	12	6
4616	59 ,, 58	Light Fancy Tweed.....	2/8	7	14	8
1718	63½ ,, 62½	Coarse Cheviot.....	3/-	9	7	6
5108	49 ,, 48	Black Worsted.....	3/1	7	8	-
7346	52 ,, 51	Woollen Cord	3/4	8	10	-
5110	29 ,, 28½	Grey Overcoating	3/6	4	19	9
5111	37 ,, 36	Oxford	3/7	6	9	-
			£	59	10	5
		Discount.....	2½%	1	9	9
		Received by cheque £58 0 8, 1st Jan, 1912, Silverwood & Co..	£	58	-	8

585. JETTISON is the act of deliberately throwing overboard cargo or ship's tackle, to lighten the ship in a storm, or when otherwise in danger. All loss which arises in consequence of extraordinary sacrifices made or expenses incurred for the preservation of the ship and the cargo comes within "General Average" and this must be borne proportionately by all who are interested. **Barratry** signifies any wrongful act, wilfully committed on the part of the master or crew of the ship, with intent to defraud the owner, charterer, or insurer, whether by running away with the ship, sinking her, unlawfully deserting her, or embezzling the cargo.

586. JOINT and **SEVERAL LIABILITY.** When two or more persons declare themselves jointly and severally bound, this means that they render themselves liable to a *joint* action against all, as well as to a *separate* action against each, in case the conditions of the bond or agreement be not complied with. And the party to whom they are so jointly and severally bound is called a joint and several creditor.

587. **LAND TAX** is a tax laid upon land and houses and was first imposed in 1698, being made perpetual in 1798, and superseding all the former methods of taxing either property or persons in respect of their property, whether by tenths or fifteenths, &c. Although generally a charge upon a landlord, yet it is a tax neither on landlord nor tenant, but on the **beneficial proprietor,** as distinguished from the mere tenant at rack-rent; and if a tenant have to any extent a beneficial interest, he becomes liable to the tax, *pro tanto*, and can only charge the residue on his landlord. Houses and buildings appropriated to public purposes are not liable to land tax. The Acts of 1798 passed for raising the usual annual land tax (£1989673 in England and Wales, and £47954 in Scotland) provided for its redemption and first fixed the quota to be paid by each parish in Great Britain, Ireland being exempt. Subject to redemptions the same amount has been subsequently collected in each parish to this day. The more agricultural counties, upon which the burden of the tax has fallen most heavily by reason of the depreciation in value of agricultural land, were greatly relieved by the **Finance Act, 1896,** which fixes the **maximum** at 1/- in the £ in any parish, instead of at 4/-, which former maximum it had reached or approached in more than one agricultural county, such as Norfolk, Essex, Lincolnshire and Suffolk. Subject to certain conditions and adjustments of the assessment, the land tax may be **redeemed** (**1**) by the single payment of a capital sum equal to 30 times the sum last assessed upon the land; or (**2**) by the payment of such annual instalments of the aforesaid capital sum as may be agreed upon, subject to interest at 3% per annum on so much of the capital sum as remains unpaid.

588. **LAND VALUES DUTY.** The Finance (1909-10) Act, 1910, imposes four new land taxes, viz :—(1) The Increment Value Duty, (2) The Reversion Duty, (3) the Undeveloped Land Duty, (4) The Mineral Rights Duty. The first two are taxes of capital, levied directly on owners; and the two last are taxes on income.

(**1**) **Increment Value Duty,** which is at the rate of **£1** for every full **£5** of the increment value, is payable as a **stamp duty** in respect of the increase accruing after the **30th April, 19.9,** in the **site value** of land; but (1) the expression *site value* has a technical meaning given to it, and (2) it is not every increase in site value which gives rise to the increment value, the subject of the tax. The rough idea of *site value* is that of the value of the land, as a cleared site, ready for building and trade purposes. It is asserted that, as population and industry grow, the value of land in England for such purposes, steadily, automatically and inevitably increases. That increase is quite apart from, and in addition to, any increase arising from the expenditure, skill or foresight of the owner or occupier. It is a steady stream of communal wealth deposited from year to year on the property of the fortunate owners of land in, or near, the growing towns and villages of the country. Hence that land is said to be naturally the legitimate subject of imperial taxation.

(2) **Reversion Duty,** which is at the rate of **£1** for every complete **£10** of the value of the benefit accruing to the lessor by reason of the **determination of the lease,** is payable within three months of such determination by the lessor, who is under an obligation to deliver to the Commissioners of Inland Revenue an account setting forth the particulars of the property and the estimated value of the accruing benefit.

(3) **Undeveloped Land Duty** is levied directly on the owner, and is at the rate of **one half-penny** for every **20/-** of the **site value.** That land is deemed to be undeveloped which has not been developed by the erection of dwelling-houses or of buildings for the purposes of any business, trade, or industry, other than agriculture (but including glasshouses or greenhouses) or is not otherwise used *bonâ fide* for any business, trade, or industry other than agriculture. There are numerous exemptions.

(4) **Mineral Rights Duty,** which is at the rate of **1/-** for every **20/-** of the **rental value** of all rights to work minerals and of all mineral wayleaves, is levied on the proprietor of the minerals if he is working them himself, and in any other case on the immediate lessor of the working lessee. The immediate lessor, who is a lessee and pays rent, is entitled to deduct from his rent the duty paid by him in respect of that amount of rent.

589. **LEASE.** A document setting forth the conditions of a contract for letting lands or buildings for a life, a term of years, or at will, usually in consideration of an annual rent. The party who grants the lease is called the "lessor," and the party to whom the premises are leased, the "lessee." In a/cs. of leasehold property such an amount should be written off each year, in respect of the diminishing value, that the entire value will be exhausted at the expiration of the lease. An easy method of calculating the price that should be paid in order to receive a return of capital by the time of the expiration of the lease, and a fixed rate of interest upon such capital is as follows:—Divide the proposed purchase money (say £720) by the number of the years to run before the lease expires (say 60), this may be taken to represent annual repayment of capital (say £12). Deducting this amount from the net annual rental (say £55) leaves a balance of £43, which is equal to nearly 6% on the purchase money.

590. A **LETTER OF CREDIT (L/C.)** is a communication addressed by bankers or merchants to their correspondent or agent, either at home or abroad, requesting him, upon the credit of the writers to advance the bearer a specific or an unlimited sum of money, and debit the amount paid to their a/c. The chief differences between a L/C. and a B/E. are that the former is not an *order*, but a *request* of payment; that a L/C. needs no acceptance; is not negotiable; and cannot be protested for non-payment.

591. **LIABILITIES** denote the whole amount of the debts owing by a person or company, and also any contingencies that might probably arise from financial obligations. Liabilities are the credit balances of the real and personal a/cs. in the Ledger.

Contingent liabilities are those dependent on an uncertain issue, of doubtful occurrence, which may or may not happen. For instance a bill receivable which you have negotiated creates a contingent liability, inasmuch as you *may* be called upon by the owner to pay the contents in the event of the bill being dishonoured by the acceptor. Again, should you become a surety or bond on behalf of a principal, by guaranteeing the repayment of a sum of money, or indemnify an employer in respect of any losses occasioned by an employee, you would in the event of the principal failing to fulfil his obligation, become liable for the amount specified. Bankruptcy is sometimes caused by such liabilities becoming immediate.

592. **LIEN.** A right in one man to retain that which is in his possession belonging to another, until certain demands of the person in possession are satisfied. There are *particular* and *general* liens.

Particular liens are those where persons claim to retain a thing for some charge or claim growing out of or connected with the identical thing ; as where a dyer has a lien on goods delivered to him to dye, or where a banker has a lien upon securities pledged for the payment of a specific debt. **General** liens are those where things are retained in respect of dealings with a person, such as where a hotel-keeper retains the baggage of a guest until the payment of the bill ; or where a banker retains securities in respect of the general balance of his customer's account ; or where a solicitor withholds his clients' title deeds until his charges are paid.

593. **LIQUIDATION.** The winding-up or closing-up of a business or company by a person called a Liquidator, who collects all the assets and discharges all the liabilities. Such a firm or company is said to be "In Liquidation," the cause of which is generally insolvency. In a voluntary winding-up of a Joint Stock Company one or more Liquidators must be appointed at a General Meeting for the purpose of winding up the affairs. Immediately upon his appointment all the powers of the Directors cease, except so far as the Company in General Meeting, or the Liquidator, sanctions the continuance thereof. Within seven days after his appointment a Liquidator must send notices to all the Creditors convening a Meeting, to be held on a date not being less than fourteen nor more than twenty-one days after his appointment. He must also advertise the notice of the meeting in the London, Edinburgh or Dublin Gazette, according to whether the Company was registered in England, Scotland or Ireland, and once at least in two local newspapers. The Liquidator must apply the funds—First, in paying the costs of the liquidation, including his own remuneration ; Secondly, in paying the debts having priority in law ; Thirdly, discharging the ordinary debts ; and Fourthly, in distributing any balance among the contributories.

594. **LLOYDS** is the title given to a set of subscription rooms at the Royal Exchange used by underwriters for the transaction of their business. It is the centre point in the metropolis for all sea

insurance business; and every species of intelligence relating to shipping is transmitted there from its agents in all parts of the Globe, thus affording considerable advantages to the maritime interests of the country. **Lloyds' Register,** published annually to merchants and others, furnishes valuable and reliable information respecting ships and their classification. It contains particulars of the tonnage, age, build, nationality, character, and condition, &c., of every ship where owners comply with Lloyds' rules. The register contains particulars of all British vessels of 100 tons burden and upwards. The mark A1. denotes vessels of the highest class, while that mark in red or 90 A1. denotes an inferior vessel; and the marks Æ1. or 80 A1. vessels of the lowest class.

595. **LLOYDS BONDS.** A railway company may not borrow in excess of the amount of the borrowing powers conferred upon it by Parliament; it may, however, issue to contractors for work done a form of bond or obligation which is very much the same thing as a debenture, the contractors being able to dispose of these bonds as if they were debentures. Bonds of this nature are termed *Lloyds Bonds*, from the name of the counsel who invented them.

596. A **MANIFEST** is a form filled up by the captain of a ship, and lodged at the Custom House on leaving port, containing a description of his vessel, full particulars of her cargo and crew, and the ports of destination to which she is bound. A **Captain's Protest** is a declaration made by the Captain and crew, upon oath, as to the particular circumstances under which any injury to a ship, or damage to her cargo, has arisen. The protest is generally prepared by and declared before a Notary Public. A **Supercargo** is a person in a vessel who has charge of its cargo and trading transactions. He superintends the sale of the cargo and procures other goods or freight for the return voyage.

597. **MINUTE BOOK.** Companies are required to keep Minute Books in which records of all proceedings of General Meetings and of the Directors' or Managers' Meetings must be entered. If purporting to be signed by the Chairman of the Meeting at which the proceedings were had or by the Chairman of the next Meeting, Minutes will be evidence of the proceedings, and until the contrary is proved every General Meeting or Meeting of Directors in respect of the proceedings whereof Minutes have been so made is deemed to have been duly held and convened, and all proceedings thereat to have been duly had. It is advisable to keep two books, so that one may contain a record of the proceedings at Directors' Meetings and the other a record of the proceedings at Shareholders' Meetings. Members are usually allowed access to the General Minute Book, but they are not entitled to see the Directors' Minutes. The Secretary should also have a rough Minute Book, into which the notes of the Meetings he attends may be entered. Liquidators of Companies being wound up by the Court must keep Minutes of the proceedings of the various Meetings held, and any Creditors or Contributory may

(subject to the control of the Court) either by himself or his agent inspect such books.

598. **MISDEMEANOUR.** A species of crime or offence comprehending all breaches of public law less than felony, as libels, conspiracies, assaults, &c., which are not so atrocious as murder, burglary, arson, &c. which are felonies.

599. **MONEY. Value** may be defined as the general purchasing power of a commodity, while *Price* is such value expressed in relation to money. The **value** of a thing is the amount of other commodities for which that thing can be exchanged; or the worth of that thing measured in the terms of some other thing. **Price** is the consideration which is given under a contract in exchange for the supply of commodities or services. Thus, a **Sale** is defined to be the transfer of the property in a thing for a price. Therefore when goods are exchanged for goods there is no price, and the contract is one of **barter** and *not* of sale. **Money** is a measure of value and a medium of exchange; or that substance, of whatever nature it may be, which is, by common consent, and for the convenience of the community, employed to represent goods in effecting their sale. In civilized countries gold, silver, and bronze coins, of a certain weight and fineness are used as money, on account of the scarcity of these metals, their portability, durability, uniformity and easy divisibility. **Currency** is a term applied to the legal medium of exchange of a nation, such as the current coins and notes authorised as legal tender. The **circulating medium** or currency may be of two kinds: (1) Metallic or Specie. (2) Paper. Metallic currency consists of coins, which are pieces of metal of certain weights and fineness bearing a legal stamp. **Bullion** is gold and silver of varying fineness or purity in the form of bars, dust, groups, and coins. Coined money is of two sorts, which are called respectively standard money and **token money,** the latter consisting of coins which are not intrinsically worth the amount named upon them; *e.g.*, the silver and bronze coins. **Standard money** is that in which the fine metal used is the standard metal of the country and is generally known as the **standard of value,** which has been defined as that coin or basis upon which the currency of any country is measured and regulated. England is a "gold standard" country; Mexico and China are "silver standard" countries; while France has nominally a double or bimetallic standard, but practically she has a gold standard, only gold being coined. **Sterling** is the name given to standard English money or coin. **Paper-currency** or circulation consists of Bank Notes and similar documents which not only represent money, but which are made legal tender by the Government as being worth in coin the amount named upon them. The efficiency of paper money as a subsitute for coins depends on whether the owner can obtain the equivalent in coin whenever he wishes it. When paper money can be exchanged for coin to its face value on demand at the Government Bank it is called *Convertible*; for instance, our Bank of England notes are convertible, as they are exchangeable at the Bank into

sovereigns on demand to the full amount of their face value. "*Inconvertible*" paper currency is that which cannot be exchanged for coins on demand, but must be accepted as representing its face value. Such a currency is only legal tender for any amount in transactions between the inhabitants of the particular country adopting it. In questions of exchange with a foreign country inconvertible paper money is always at a discount, that is, it circulates at a varying rate below the value of the coin which it professes to represent. Such a discount is known as **agio** or **premium** which may be defined as the difference of value existing between real and nominal money as shown by the Continental rates of exchange; or the difference of value between specie and paper money in those countries where notes are not exchangeable for gold. Thus it is said, for instance, that *gold is at a premium of 5% on paper*, or that *there is an agio of 5% on gold*, which means that 105 units in paper money are given for 100 units in gold. **Legal Tender** means the current coin or medium of payment that may be lawfully offered in payment of a debt. They are:—Gold of the full weight to any amount, Silver up to 40/-, Bronze up to 1/-, and Bank of England Notes up to any amount in England and Wales, except at and by the Bank of England and its branches, but no one can be compelled to give change for such notes except the Bank itself. A tender must be absolute and unconditional, and the money must be actually produced at the time of the tender. The word **Bi-metallism** is used to describe the employment of two metals, to form at the same time, in combination with each other, the standard of value. A bi-metallic system of currency to be completely effective must, in the view of those who advocate it, include two essentials; (a) An open mint ready to coin any quantity of either gold or silver, which may be brought to it; (b) The right on the part of a debtor to discharge his liabilities, at his option, in either of the two metals, at a ratio fixed by law. The term **Mono-metallism** is applied to designate a monetary system in which the standard of value consists of one metal, whether silver or gold. **Moneys of Account** are the denominations or divisions of money in which accounts are kept. They may or may not correspond with coins in circulation *e.g.*, the moneys of a/c. of England are £ s. d., while in the case of France they are francs and cents. The **Latin Union** is the monetary union organised between France, Belgium, Greece, Italy and Switzerland, in all of which countries the amount in francs, &c. are converted as 25=£1.

600. A **NEGOTIABLE** document or instrument of credit is one which, in its transfer from one person to another, conveys to and vests in the holder a legal right to the money or property which the document is issued for, or which it represents. Negotiability does not attach itself to every instrument, but only to those which have obtained it either by mercantile custom or statute: B/E., P/N., Cheques, Exchequer Bills, East India Bonds, Circular Notes, Dividend Warrants, and Certain Scrip and Bonds are negotiable. The term "Not negotiable" has no statutory signification whatever on any document except as part of the crossing of a cheque.

601. PAR. Either the nominal value of securities, or the exact amount that has been paid for them. When the price of stocks or shares is *higher* than that originally paid for them, they are said to be *above par* (or at a premium), and when the price quoted is *lower* than that originally paid they are said to be *below par* (or at a discount). A nominal share of £1 fully paid, if quoted at ¼ premium, would be 25s. per share; or a nominal share of £1, with 10s. paid up quoted at ¼ premium, would be 15s. or £100 nominal stock, if quoted at 101, would be a premium of 1.

602. PAWN or **PLEDGE.** The transfer of a chattel (movable property) by a debtor, the pledgor, to his creditor, the pledgee, to secure the repayment of a debt. The pledgee has the right of selling the property pledged if the pledgor fails to fulfil his obligations at the appointed time.

603. PATENT is the name for a grant by the government of a country of a privilege enabling the patentee or his licensees to make, use, exercise and vend the invention, and to restrain any unauthorised person from using or imitating it. The duration of a patent when granted is 14 years, but every patent ceases on failure of the patentee to make the prescribed payments or annual instalments, unless he can show that the default arose through an accident or mistake. Depreciation should be charged periodically, having due regard to the date of the expiration of the Patent.

604. POST-DATING means dating *after* the true time; while *Ante-dating* refers to dating *before* the true time.

605. POWER of **ATTORNEY.** A deed granted by one person to another to enable him to act on his behalf. In certain Stock Exchange transactions, special Powers are necessary, as follows:— In the case of all stocks inscribed on the books of the Bank of England, the London & Westminster, and other banks, or with the Crown agents for the Colonies, sellers are required to appear in person to transfer their holdings, accompanied by a stockbroker who can identify them. In cases where it is difficult or costly for sellers to attend, they can apply for a *Power of Attorney*. This deed is drawn up by the transfer agents, and must be signed by the stockholder in the presence of two witnesses. It is usual to appoint a stockbroker as attorney; other persons acting must be identified by a broker.

606. A PREFERENTIAL CLAIM is one that is legally entitled to be satisfied in full (1) as a special preference, in the case of solvency, where the claim is to be paid out of the profits of a business, before a general division of such profits, or (2) as a general preference, in the case of insolvency, where a claim is to be paid out of the assets, before the participation of the claims of other creditors.

607. PREMIUM. (1) An annual payment for insurance against by fire, &c., or to assure a certain amount of money being paid

on a person attaining a given age, or at death. (2) The excess in quotation over the nominal paid-up amount of any security. (3) A payment to an employer on a pupil becoming articled or apprenticed.

608. A **PRICE CURRENT** (**P.C.**) is a list showing the market price of commodities. These lists are published in the daily newspapers and also in the various trade journals. Many merchants issue a Price Current to their customers either weekly, fortnightly, or monthly, showing the articles dealt in, and the current market price of each. Some firms keep blank forms of prices current, the names of the staple articles of their place being printed, the columns for prices being left blank. A **Price List** merely shows the *definite* price of articles offered for sale. These lists are chiefly issued by retail drapers, grocers, &c., in the form of newspaper advertisements and handbills.

609. PRIMAGE. This was originally a gratuity or allowance given by the shippers to the captain of a ship for his care and trouble in loading and taking charge of the goods while on board. It is now an additional percentage to the freight for the use of cable and ropes in loading and unloading cargo. The rate varies according to the customs of the various ports.

610. PRINCIPAL. A responsible person for whom an agent buys, sells, or transacts other business; also a partner or head of a business house. The word "principal" is also applied to money lent out at interest.

611. PROMOTER. A man who makes it his business to prepare and launch limited liability companies on the market. He is generally a *shark*—one, *i.e.*, who lays himself out to get as much for his own pocket as he can out of the money subscribed by the public. Often he buys up businesses at a low price and sells them at a high one; often, also, he concocts schemes *ab initio* for the sole purpose of swindling the investing classes; frequently he shelters himself behind other names, so that he may not be saddled with either liability or responsibility when things go wrong. Company-promoting as a profession is thus one of the most degraded a human being could adopt, although the promoter does not always, or often, pocket all the money laid upon the *capital* of a new company for *promotion* purposes. He has to subsidise the Press—the more heavily the more his career or his company is shady—to pay extensively for advertisements, to divide-up with his *pals*, to find qualifications for *dummy* or *guinea-pig*, directors; and as he nearly always carries his game to a point beyond the patience or receptive capacity of the public, he often ends by becoming bankrupt.

612. PROPERTY signifies the exclusive right of possessing, enjoying and disposing of a thing. The person to whom such right belongs is termed the "*owner*." A **Reversion** is that portion left of an estate after a grant of a particular portion of it (short of the whole estate) has been made by the owner to another person.

613. PROXY. A person appointed, usually by written authority, to vote at any meeting for another person who would have been entitled to vote personally.

614. QUARTER DAYS. *England*: Lady Day, 25 March; Midsummer, 24 June; Michælmas, 29 September; Christmas, 25 December. *Scotland*: Candlemas, 2 February; "Whitsunday," 15 May; Lammas, 1 August; Martinmas, 11 November.

615. QUID PRO QUO (what for what.) An equivalent. One thing for another. The mutual consideration and performance of both parties to a contract.

616. QUORUM. The minimum number of persons necessarily present in order that business may be proceeded with, at any Meeting for the dispatch of business. Articles of Association usually determine the quorum of Members necessary for the transaction of business at Meetings of Directors or of the Company. Table A prescribes three Members *personally* present as the quorum for a General Meeting, and provides that, unless the Directors fix some other number, the quorum for a Meeting of Directors is also to be three in cases where there are more than three Directors. If there are only three or less than three, and no quorum has been fixed, all the Directors must be present before any business can be transacted. The presence of a quorum at a Meeting is essential. If the requisite number is not present the Meeting must be adjourned or dissolved, as may be specified by the Articles of Association. Table A provides for the dissolution if the Meeting was convened upon the requisition of Members and a quorum is not present within half-an-hour of the time appointed for the Meeting. If convened by the Directors, the Meeting must stand adjourned to the same day in the next week, and if a quorum is not present the adjourned Meeting within half-an-hour from the time appointed the Members present form a quorum. If a quorum is not present at the commencement of the Meeting, all the business transacted is invalid.

617. REBATE. Generally an abatement or allowance in price. Strictly, discount returned by a banker on a bill taken up before maturity, or by a banker or bill broker when discounted bills are taken back again, previous to their arriving at maturity, by the parties who placed them under discount. An **abatement** is a deduction from a quoted price or value.

618. RECEIPT (**Rect.**) A written acknowledgment of something having been received. A receipt for money when the amount is for £2 and upwards, requires a penny stamp, which, if adhesive, must be cancelled by being written across, the cost of the stamp being borne by the receiver. A receipt should, at least, state the date, the name of the payer, the amount, what the payment is for, and the signature of the receiver, as below. A receipt written either on the front or the back of a stamped cheque requires a receipt stamp; either one penny or two halfpenny stamps. A **Voucher** is any book, document or writing in proof of the payment or receipt of money;

or which in any way serves to attest the truth or correctness of accounts, or any other monetary transactions. As far as possible Petty Cash payments should be initialled in the P.C. Book by the person receiving the cash; and payments by the cashier to his principals should be initialled in the C.B.

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5 Dock Street, Leeds, 28th December, 1911.

GRAY'S ESTATE.

Received from Mr. George Terry the sum of Twenty Eight Pounds Ten Shillings, being one half-year's Rent due to the Trustees of John Gray, deceased, at Christmas last.

Cash.....	£27 16 -
Tax	- 14 -
	£28 10 -

HENRY HORN,
For Self and Co-Trustees.

Receipt a Statement thus:—

Received payment by cheque, £95 8 10.

5th July, 1911.
CHARLES MEE & Co., LTD.
JOHN DAY, Secretary.

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619. A **RECONCILIATION STATEMENT** is one that is sometimes made out for the purpose of adjusting or testing the accuracy of certain a/cs., such as a Rental, with the Rental of the previous year, or the contents of the Cash Box with the balance of the Cash Book (see par. 87); or the Bank column of a Cash Book with the Pass Book (see par. 93).

620. REGISTERED OFFICE. Every Company is required to have a Registered Office, to which all communications and notices may be addressed. Notice of the situation of the office should be filed at the time of the incorporation of the Company, and notice has also to be given upon any change of address taking place.

621. REMITTANCE. A sum of money sent, transmitted, or remitted from one person to another, whether it be by bullion, coin, note, cheque, B/E., M/O., P/O., or stamps.

622. RENT is a profit issuing out of lands and tenements, either as compensation for possession, or merely as acknowledgment of tenure to the lord. In other words, rent is a compensation, or payment, made by the tenant to the owner of the land or premises demised. When there is no written contract the rent is payable on the demised premises, but in the case of a covenant on the part of the tenant to pay rent, it is his duty to seek out the person to whom it is payable. The **Law** presumes that a tenancy is an **annual one,** unless evidence to the contrary is forthcoming; and a **Notice** to

Quit must be so given as to terminate the tenancy upon the anniversary of its commencement.

Cottages and small houses, &c., are frequently let upon weekly, monthly, or quarterly tenancy, and where no written contract exists, the rent-book or form of receipt given, will be evidence of the character of the holding. By the term *monthly tenancy* a **lunar,** and not a calendar month is implied. Rent is due in the morning of the day appointed for payment, but it is not in arrear until midnight. It is recoverable by distress upon the premises and during the continuance of the tenancy.

In the case of **agricultural lands,** recovery by distress may not take place in respect of "rent, which became due more than one year before the making of such distress," though a custom by which the collection of rent is deferred will be recognised, and distraint may be legally made for a further sum corresponding with the deferred quarter or half-year, as the case may be.

In the case of **bankruptcy,** the landlord's preferential claim for rent is limited to one for *six months only*, prior to the adjudication. Rent falling due after the adjudication of bankruptcy must be paid in full—until the trustee shall disclaim the tenancy.

This limitation of the landlord's power of distraint does not prevent his due **recovery** of the arrears of rent by action in the High or County **Court.** In tenancies, other than those to which the Agricultural Holdings Acts apply, arrears of rent may be recovered by distress at any time within **six years** after the same shall have become due.

There are several kinds of rents, viz. :—

(1) **Rack-Rent** is a rent of the full annual value of the tenement, or near it. In no way does the term imply an exacting or excessive rental, but merely the full market value.

(2) A **Pepper Corn Rent** is merely nominal and not intended to be paid. It is frequently found in the case of building leases, where, during the erection of the premises, in the first year or years of the term, no rent is to be charged.

(3) A **Fee Farm Rent** is a rent-charge issuing out of an estate in fee, of at least one-fourth of the value of the lands at the time of its reservation. The amount of the charge is a fixed one, and is perpetual. It is recoverable by distress and taxes may be deducted.

(4) A **Rent-Charge** may be imposed upon land by deed or will—it forms a *fixed charge* upon the property, and is of the nature of rent, in that in default of payment it is recoverable by distress at any time within 12 years of its becoming due. The owner of the Rent-charge, however, possesses no interest in the reversion of the land—the Rent-charge is his permanently, but nothing more than that, however valuable the property may hereafter become.

(5) A **Ground Rent** is created by the lease of land to a lessee, who contracts to erect houses or other buildings The agreed term may be 60, 99, or even 999 years, and the rent of the ground is a fixed sum, payable to the superior landlord, *the lessor*, in exactly the

same way as an ordinary rack rental is paid. A *freehold ground rent* is one in which the reversion belongs to the freeholder, and a *leasehold ground rent* is one in which the immediately superior landlord is himself a leaseholder. Income Tax at the current rate should be deducted when paying ground rent.

(6) A **Chief Rent** is created in much the same way as a ground rent. The chief point of difference between the two lies, however, in the fact that a Chief Rent is perpetual, and the creator of it reserves no reversion. It is therefore of the nature of a Rent-charge.

(7) A **Quit** or **Free Rent** is an annual payment made to a lord in respect of copyhold and freehold tenements in his manor. As a rule it is merely a nominal amount, owing to the great difference in the present value of money compared with that of the time when the rent was created. The name signifies that the tenant thereby goes quit and free of all other services The Quit Rent payable by a freeholder of a manor is often termed *Chief Rent*; and both come under the designation of *Rents of Assize*. They are recoverable by distress, but become *statute barred* after the lapse of 12 years.

(8) Rents payable in connection with **mining operations** are dealt with on page 444.

623. RUPEE. The unit of value and the standard silver coin of British India, weighing 180 grains, eleven-twelfths fine. The exchange value of the rupee is about 1s. 4d., but its intrinsic value, in consequence of the fall in the price of silver, is much less. The symbol "Rx." denotes 10 rupees. Large sums of rupees are expressed in lacs. (100000), and crores (100 lacs). For any sum above 100000 rupees (1 lac) a different mode of decimal notation is adopted; thus, 135000 rupees would be punctuated 1,35,000 which would be read 1 lac or lakh, 35,000 rupees; while

c.	lacs.	Rs.	a.	p.
9,	15,	16,500 ..	9 ..	8

would be read as 9 crores, 15 lacs, 16,500 rupees, 9 annas, and 8 pies.

624. The **SALE OF GOODS ACT,** 1893, section 4, enacts that no contract for the sale of any goods for the price of £10 and upwards shall be enforceable at law, except the buyer shall accept part of the goods so sold, and actually receive same, or give something in earnest to bind the bargain, or in part payment, or that some note or memorandum in writing of the said bargain be made and signed by the party to be charged or his agent in that behalf. It is therefore essential that orders should be obtained in writing. **Earnest** is the sum paid by the buyer of goods in order to bind the seller to the terms of the agreement.

625. SALVAGE. An allowance or compensation made to those by whose exertions ships or goods have been saved from the dangers of the sea, fire, pirates or enemies. The term is also applied to the goods and other property saved. A **Derelict** is a ship that has been abandoned at sea.

626. SCRIP. A contraction of the word subscription, applied to the receipt or certificate given for shares or instalments thereof in some public company, or an a/c. of a Government loan, pending the delivery of a share certificate. These documents are exchanged for the proper share certificates, in the case of fully paid up shares, as soon as the company is floated, and other cases on completion of the payment of all the calls.

627. SEAL. Every Limited Company is required to possess a Common Seal having its name *engraven in legible characters* thereon. A rubber stamp should not be used as a Seal, as the name is not *engraven* thereon. In order that the Seal may not be used without authority, and may also be free from dust and observation, it is usual and advisable to keep it in a strong box fitted with two locks, the keys of which should be kept by two Directors. Any Director, Manager, or Officer who uses or authorises the use of any Seal whereon the name of the Company is not so engraven renders himself liable to a fine not exceeding £50. A Company transacting business in foreign countries may, if authorised by its Articles, have an Official Seal for use out of the United Kingdom. Such a Seal must be a facsimile of the Common Seal, with the addition on its face of the name of every territory, district, or place where it is to be used. Any person appointed for the purpose in any place not situate in the United Kingdom, and having the written authority of the Company under its Common Seal, may affix the Official Seal to any deed or other document to which the Company is a party in that place. The date and place of affixing the Seal must be certified in writing on the instrument under the hand of the person using the Seal. A deed or document to which an Official Seal is duly affixed binds the Company as if it were under the Common Seal of the Company.

628. SECRETARY. The officer to whom the general management of the affairs of a public department or company is entrusted. The Secretary is one of the principal Officers of a Company, and is wholly or partly responsible for the accuracy of documents filed with the Registrar. He is personally liable if he omits the word *Limited* from a Bill of Exchange, Promissory Note, or order for goods unless the amount is paid by the Company. The Secretary is an agent of the Company, and representations made by him may bind the Company; but if the representations are outside the scope of the Secretary's duty the Company is not responsible. He is, of course, liable if he accepts any secret commission or bribe in contravention of The Prevention of Corruption Act, 1906. He should make himself acquainted with the provisions of the Companies Act—particularly those relating to the registration of documents and the keeping and entering up of Registers, Minute Books, &c. He should exercise care in scrutinising transfers, proxies, and other forms, and familiarise himself with the various details set out in this work relating to the inspection of Registers.

The duty of rendering Returns under the Income Tax Acts devolves upon him. When required by the Assessor he must deliver a Return containing the names and addresses of persons employed by the Company (including Directors and other Officers) whose remuneration exceeds £160 per annum, with particulars of their salaries and wages, and "any other fees, bonuses, allowances, or emoluments" paid them, and he must also render accounts as required.

629. SECURITIES are the written or printed documents which secure to a holder his right to any property. They may include certificates of consols, or any other government or municipal stock; exchequer bills; foreign government bonds or scrip; railway shares or bonds; and debentures or share certificates of any other companies. As against advances the securities held may also include title deeds of property, mortgages, dock warrants, bills of lading, or any other document of title, and bills of exchange.

630. STATEMENT. An a/c. rendered at certain times, usually monthly or quarterly, giving dates and amounts only of each delivery of goods since last settlement, together with any charges; and after deductions for returns, payments on a/c., allowances, &c., showing amounts due at date of statement.

625 Cheapside,
LONDON, *30th June, 1911.*

Messrs. Owen & Dew, Leeds.

Dr. to Charles Mee & Co., Ltd.

1911		£	s.	d.	£	s.	d.
April 1	To Balance brought forward				69	7	6
,, 4	,, Goods	17	16	3			
,, 7	,, do.	36	4	9			
,, 19	,, do.	42	8	4			
,, 30	,, do.	5	19	6			
May 7	,, do.	19	7	2			
,, 15	,, do.	7	4	5			
,, 28	,, do.	26	19	11			
June 9	,, do.	13	4	2			
,, 19	,, do.	2	9	10			
,, 25	,, do.	16	18	9			
,, 28	,, do.	46	9	2			
,, 30	,, do.	17	16	9			
,, ,,	,, Undercasting, 25th June	1	-	-	253	19	-
					323	6	6
May 2	By Cash	171	16	4			
June 2	,, do.	53	11	6			
,, 22	,, Returns	2	9	10	227	17	8
				£	95	8	10

631. SEQUESTRATION. A Scotch legal process, closely resembling English Bankruptcy proceedings, by which a law officer investigates an insolvent estate, collects all the assets and distributes the amount realised among the creditors.

632. SET-OFF or **Counter Claim.** A cross claim. The right of one party who is bound under a contract towards another to set off a corresponding liability upon the side of that other party as counterbalancing the want of performance of the contract sued upon.

633. STAMP DUTY. A tax imposed for revenue purposes, on bills of exchange, bank notes, cheques, licenses, deeds, and documents of every description (except wills and I.O.U.'s) receipts for money over £2, playing cards, &c. The term **ad valorem**, meaning according to the value, and not to the number, weight or measure, is used in commerce principally with reference to the *ad valorem* custom and stamp duties, which are levied by the Customs and Inland Revenue Departments of the Government on goods and documents at certain rates *per cent.* on their value.

634. STATUTES OF LIMITATIONS. The enactments fixing the periods within which rights must be established and debts recovered. The periods of limitations vary from 14 days to 60 years from the cause of action, according to the subject of litigation. A common debt is *Statute barred* after a lapse of six years, unless a promise to pay or an unqualified acknowledgment in writing has been made by the debtor, in which case the debt is revived. The following are the periods fixed by the principal Statutes of Limitation.

PROCEEDING.	PERIOD.
Award, action of debt upon, where the submission was not by specialty	6 years.
Award, &c., if submission be specialty	20 years.
Bill of Exchange, or Promissory Note, payable at a certain period after date	Within 6 years after it falls due.
Copyright, action for infringement of	12 calendar months after accruing of cause of action.
Crown, the, suits by, relating to land	60 years next before suit or claim.
Debt (if not on specialty)	6 years.
Debt on specialty	20 years.
Distress for rent-charge	12 years.
Distress for other rents	6 years.
Land, right of entry for the recovery of	12 years.
Legacies	20 years.
Libels	6 years.
Mistake, equitable relief from	6 years after its discovery.
Mortgage, money secured by, recovery of	12 years.
Real property, action to recover	12 years after right accrued.
Rent, by lease by deed	20 years.
Rent, ordinary	6 years.
Replevin	6 years.
Trespass	6 years.

635. STOCKS. A term applied to the sums of money invested by private individuals in the national debts of any country, properly called the "funds"; also the separate credits warranted by the governments, municipal corporations, trading companies, or other corporate bodies, paying a fixed annual rate of interest for the loan. **Guaranteed** stocks are those upon which the interest is guaranteed by a Government or company. For instance, the Government of India has guaranteed a fixed percentage on the stocks of many of the Indian railroads. **Inscribed** stock is that for which no actual certificates are granted to the holders, but their names and the amount of stock they hold are entered or inscribed in a Register kept for the purpose, either at the Bank of England, the office of the Crown Agents for the Colonies, or some other Bank where the stock was issued. Such stock can only be transferred by the holder (or his representative by Power of Attorney) signing the Register that he has assigned his right to some other person, and, consequently, they are considered one of the safest forms of security against fraud it is possible to deal in.

636. STOPPAGE IN TRANSITU. The stoppage of goods in course of their transit from one place to another. An unpaid vendor or consignor of goods has power to stop them in transit and prevent their delivery, if, since they have left his establishment, the vendee or consignee has become insolvent.

637. SURETY or **GUARANTOR.** A bondsman; one who undertakes to answer for the liability or performance of a duty for which another (called the principal debtor) is responsible in the event of the default of the latter. (See par. 591.)

638. TALE QUALE. (T/q.) An expression used in contracts when grain and other produce is sold "to arrive" or "off the coast" by a sample drawn at the port which the ship has touched at. It means that the cargo is held to be the same as the sample submitted, and that the buyer takes the risk of any damage the goods may afterwards sustain.

639. TARE is the weight of a case, bag, box, sack, cask, chest, can, glass, wrapper, or other article wherein goods are packed; hence the word is also used as meaning the allowance, deduction, or abatement made in respect thereof from the gross weight of the package. Tare is calculated in five different ways, viz.:—(1) By **Real** tare, which is found by actually ascertaining the weight of the boxes, sacks, vessels, &c., wherein goods are packed, and deducting it from the gross weight of the parcel; (2) by **Average** tare, where the packages are numerous and of a similar size, when only a few are weighed so as to form an average for the whole; (3) by **Customary** tare, which is an established allowance for the weight of packages on the gross weight of certain goods, fixed by the custom of each particular trade; (4) by **Estimated** tare, which means that the weight of the packages are computed and an estimated allowance agreed upon at the time of sale; (5) by **Super** tare, by granting an

additional allowance when packages exceed a certain weight. **Tret** is an old customary allowance of 4 lbs. on every 104 lbs. on certain articles of merchandise as a compensation to the buyer for wear, damage, or deterioration in transit, or for the dust or sand mixed with any commodity. **Draft** or **Waste** is an allowance or deduction often made on the gross weight of goods in consideration of their being damp, or mixed with dust, rubbish, or other extraneous substance.

640. **TERMS** as to **Price** and **Payment.** **"Loco"** merely means that the price quoted is the price of the goods sold at the place where they lie, without including any charges whatever for transit or removal. **"F.A.S."**—free alongside ship—denotes the place of delivery, and that the seller pays all charges upon the goods up to their reaching the ship's side, when the buyer must attend to their being put on board, and pay the dues and charges for slinging, &c. **"F.O.B."**—free on board—indicates that the price quoted covers the cost of the goods, carriage to port, and shipping charges; *i.e.*, the seller puts the goods on board free of all expense to the buyer, who pays the freight. **"C. & F."**—cost and freight—means that the price is to cover the cost of the goods, shipping charges and freight, in fact all charges to the destination of the vessel except insurance. **"C.I.F."**—cost, insurance and freight—means the last paragraph, plus insurance. **"Franco," "Rendu,"** or **"Free,"** means c.i.f. *plus* foreign import duty and carriage to the door of the buyer, *i.e.*, the price includes every possible charge. **"C.O.D."**—cash on delivery—denotes that the buyer must pay for the goods at the time of delivery. **"Prompt Cash"**—payment within two or three days of delivery. **"Cash"** or **"Net Cash"**—payment within a week or ten days. **"2½% for Cash"** denotes that this discount will be allowed if payment be made within about a week of delivery. **"5% within a month"**—this allowance will be made subject to payment within one month from date of delivery. **"Prompt Cash less 4 mos."** means payment within a day or two *less* 4 months interest at 5% per ann., *e.g.*, on £100 the discount would be £1 13s. 4d. **"3 mos. net"** denotes 3 months credit and no discount. **"Cash against documents"** indicates payment on delivery of B/L. and Policy. **"Documents against acceptance"** denotes that the shipping documents must *not* be handed over to the buyer until he has *accepted* the B/E. **"Documents against payment"** the buyer must *pay* or *honour* the B/E. before receiving the shipping documents.

641. A **TRADE MARK** is a name, symbol, picture, form or devise applied to a trader's goods for the purpose of distinguishing them from the similar goods of other traders, in order that he may secure to himself the profits arising from their reputation for superiority. A trade-mark differs both from a patent and from a copyright in its legal character. When Patent-right and Copyright protect the substance of the articles, the protection in the case of a trade-mark extends only to the device or symbol which is invented and adopted

to designate the goods sold. A record of registered trade-marks is kept at the Patent Office, 25 Southampton Buildings, London, W.C.

642. TRANSFER of **SHARES.** Members of a Company are at liberty to transfer shares in any manner provided by the Articles and subject to the restrictions contained therein. The document in which this change is effected is called the *Transfer* and has to bear a stamp proportioned to the amount or market value of the stock or shares transferred. Both buyer and seller must sign the Transfer in the presence, in England, Ireland and Wales, of one witness; in Scotland, two witnesses are often necessary. The Tranfer is then forwarded to the offices of the Company, whose registrar effects the changes in the books, which act transfers the ownership. This is followed by the issuing of a new Stock or Share Certificate to attest the fact that the purchaser is now the owner of so many shares or of so much stock in the Company. Most Companies charge a *Transfer Fee* of 2/6 when registering a buyer's name.

643. TRUE DISCOUNT is the difference in value between a debt due on a given date and the present time. For instance, a B/E. drawn on the first Jan., payable in 3 mos. for £5050, would on the 4th Jan. be worth £5000, if discounted at 4% per ann, True discount, however, is rarely allowed in such transactions. In the above example the discounter would deduct from the principal the *Commercial* or *Banker's* discount of £50 10 -, which is practically interest at 4%.

644. TRUST and **TRUSTEE.** A trust is a contrivance whereby one party holds property, real or personal, for the benefit of another. Such person is called a *trustee*, and the person who benefits by the arrangement is called a *cestui que trust*. A Trustee has the right to reimburse himself for out-of-pocket expenses, but he has no right to any remuneration for the performance of his duties unless expressly provided for by the document creating the trust. A **Beneficiary** is one in possession of a benefice; also a *cestui que trust*, or person having the enjoyment of property, of which a trustee, executor, &c. has the legal possession. The office of **Public Trustee** was created in 1906 and is intended to empower the State, through that Official, to act as Executor or Trustee to any person who may desire the State to act for him in either of these, and other cognate capacities. The Act enables any person to appoint the Public Trustee, by that name or any other sufficient description, executor or trustee of a will, or trustee of a settlement; or *custodian trustee* of a will or settlement—that is, in this last respect, as trustee to safeguard the capital and safe investment only, leaving the management of the trust to personal trustees. The advantage of appointing the Public Trustee is that he is perpetual, no expense of appointing new trustees ever arising; he will never leave the country, or become incapacitated; and, more important than all, the removal of the risk of loss from incompetency or dishonesty, the State making good to the estate of

which it has charge, wherever a private trustee would be liable, all losses to which the Public Trustee in any way contributes, and which by the exercise of reasonable diligence could be averted. The official address is 4 Clement's Inn, London, W.C.

645. TURNOVER. The total sales of a trader within a given period. In banking, the total of the debits or the total of the credits placed to an a/c. within a given period.

646. ULLAGE. The deficiency from full measure in casks, bottles, or other vessels containing liquids, either through leakage, breakage, evaporation or otherwise.

647. UNDERWRITER (U/w.) A marine insurer so called from his writing or subscribing his name under each policy of insurance, as a guarantee that, in case of loss or damage, he will be responsible for the amount subscribed by him. Also one who subscribes to a contract of indemnity against failure to obtain applicants for a specified number of shares or amount of loan. **Underwriting** is the guaranteeing of either the whole or a portion of the Capital of a Public Company before the issue of same is offered to the public, a commission payable either in cash or fully-paid shares, or both, being given to those who guarantee to take up, or find approved subscribers for a given number of shares, in the event of the public not subscribing the full amount required. When the underwriting is completed, the prospectus of the Company is publicly advertised, both by newspaper advertisements and the issue of prospectuses, and the whole amount subscribed by the public as a result thereof goes in relief of the underwriters. If the public contribute the full number of shares, the underwriter's responsibilities are ended, and he receives the full amount of commission for the risk he has incurred, together with whatever amount he may have deposited in respect of his underwriting contract. If, however, the public do not subscribe the full amount required to complete the issue, then each underwriter is responsible, and may be called upon to take up shares to the extent of the *proportion* of the amount underwritten by him and not taken up by the public.

648. VENDUE is a colonial phrase signifying a public auction. The place of sale is sometimes called "the Vendue."

649. WAREHOUSING is a system adopted by merchants of storing goods in public warehouses, until sales are effected. A **Warehouse Warrant (W/W.)** is somewhat similar to a D/W., and like the latter is a negotiable instrument. (See par. 560).

650. WARRANTY. A guarantee or stipulation. In contracts for the sale of goods a warranty is defined as: "An agreement with reference to goods which are the subject of a contract of sale, but collateral to the main purpose of such contract, the breach of which gives rise to a claim for damages, but not to a right to reject the goods and treat the contract as repudiated."

651. **WATERING.** The act of increasing the face value of stock or shares without making any equivalent increase in the value of the assets they represent.

652. **WAYLEAVES** include all the payments which are made for the privilege of easements over another person's property. As examples one may quote rights of way, water, light, and air; encroachments by overhanging eaves or other portion of buildings; telegraph and telephone poles. Such easements are, as a rule, the subjects of agreement between the parties, and a rental either of substantial character or of a more or less nominal amount is payable in respect of them.

653. **WILL.** A legal declaration of a man's intention which he wills to be performed after his death. In order to be valid every will must be signed by the person making it (the testator) in the presence of two witnesses, who must attest the testator's signature in his presence, all three parties signing at the same time. A **Codicil** is a supplement to a will, when the testator desires to add, explain, alter or retract anything; it must be executed with the same formalities as a will. **Probate** is the official proof of a will. This is obtained by the executor on making formal application and paying the necessary duties to the Probate Court. The original will must be deposited in the Registry of the Court, when a copy thereof is made out, under the seal of the Court, and delivered to the executor, together with (the grant) a certificate of its having been proved, all which together constitutes the *proving of the will*, and is usually styled the *probate*. An **Executor** is a person appointed by a testator to carry out the directions and requests in his will, and to dispose of the property according to his testamentary provisions after death. In **distributing** the estate the executor must discharge the debts in the following order:—(1) Funeral Expenses; (2) Testamentary or Executorship Expenses; (3) Debts due to the Crown by way of record or specialty; (4) Debts having priority by special statute; (5) Judgments recovered against deceased; (6) Recognizances; (7) Specialty and simple Contract Debts; (8) Debts on Voluntary Bonds.

654. **WITHOUT PREJUDICE.** A phrase used in negotiations of compromise or offers to settle disputes, in order to guard against any waiver of right should they be ineffectual and go off.

655. **YIELD.** A statement that a stock or share will yield so much per cent., means that the return to the investor is at that rate on every £100, or part of £100, of capital sunk. For instance, a 4½ per cent. stock at 108 will yield £4 1 8 per cent.

656. The **ZOLLVEREIN,** or Customs League, is the commercial union of the German Empire, Luxemburg, and two Austrian communes for the regulation of a uniform rate of customs duties throughout the various states comprised in the union. All the receipts of the Zollverein are paid into a common exchequer, and distributed *pro rata* of population, among the states included.

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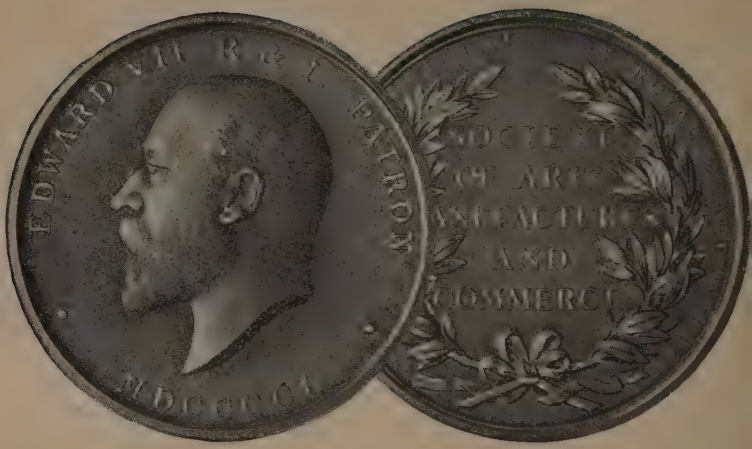

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